



wacoss

**WA COUNCIL of
SOCIAL SERVICE**

*Ways to make
a difference*

**4 May
2017**

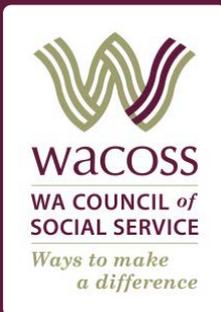
**Submission to the Western Australian
Industrial Relations Commission (WAIRC)**

2017 State Wage Case



Contents

1.0	Introduction	4
2.0	The Council’s claim	4
3.0	The Changing Nature of Work.....	6
4.0	Income and Wealth Inequality	9
5.0	Poverty and Financial Resilience	15
6.0	The Cost of Living in WA	17
5.1	Housing: The major cost of living pressure in WA	19
	Rental affordability	19
5.2	Transportation	23
5.3	Utilities	24
7.0	The Impact on Specific Cohorts	28
7.1	Community Sector Workers	28
7.2	Women	29
7.3	Young people	33
	Conclusion	36



The **Western Australian Council of Social Service**

is the leading peak organisation for the community services sector in Western Australia. We represent 300 members and over 800 organisations involved in the provision of services to hundreds of thousands of individuals, families and children in our community each year.

The Council speaks with and for Western Australians who use community services, to bring their voices and interests to the attention of government, decision makers, media and the wider community.

The Council represents organisations in a diverse range of areas including:

- health;
- community services and development;
- disability;
- employment and training;
- aged and community care;
- family support;
- children and youth services;
- drug and alcohol assistance;
- Indigenous affairs;
- support for culturally and linguistically diverse people;
- housing and crisis accommodation; and
- safety and justice

Despite the introduction of the Fair Work Act 2009, many organisations in the community services sector are still incorporated entities without significant or substantial trading or financial activities, and are therefore subject to the WA Industrial Relations Commission's (WAIRC) jurisdiction.

The Council has an interest in ensuring that the wages of all low paid employees — including those employed in the community sector — keep pace with the cost of living and community standards.

1.0 Introduction

The Western Australian Council of Social Service (the Council) considers the minimum wage to be a vital means of protecting low-income workers from poverty, as well as contributing to the delivery of economic benefits to the wider Western Australian community. As the peak body of the community service sector in WA, and as an advocate for low income and disadvantaged people, the Council has a particular interest in the adequacy of living standards and quality of life experienced by Western Australians living on low incomes.

The Council's submission to the 2017 State Wage Case relies on the provisions in the *Industrial Relations Act 1979*, at Clause 50A(3)(a) for the Commission to consider in its determination of minimum rates of pay the need to:

- i. ensure that Western Australians have a fair system of wages and conditions;*
- ii. meet the needs of the low paid;*
- iii. provide fair wage standards in the context of living standards generally prevailing in the community;*
- iv. contribute to improved living standards for employees.¹*

In preparing this submission, the Council has carefully considered the changing economic and workplace environment for low-wage workers. We have endeavoured to ensure our submission is up to date and directly relevant to the lived experience of minimum wage workers in WA. We do so in order to provide the Commission with the best available data upon which to base its deliberations.

2.0 The Council's claim

The Council submits that an increase to the State Minimum Wage rate (and in the minimum award rates for junior employees, apprentices and trainees) of \$45 per week up to the C10 level and 5.7% beyond that level is consistent with the need to maintain a fair system of wages and conditions in the current Western Australian context; and (b) a very reasonable increase which takes into account current economic conditions.

The primary basis for the Council's claim is that this increase is needed in order to provide fair wage standards in the context of the living standards generally prevailing in the community, and to contribute to improved living standards for employees.

While minimum wage increases in recent years have been welcomed by the Council and low-wage workers in the community, the Council contends that it has been many years since a minimum wage decision has delivered demonstrable *improvement* to living standards for low-wage employees.² In reality, minimum wage decisions have consistently fallen short of what the Council has considered necessary for low wage employees to actually keep up with cost of living

¹ *Industrial Relations Act 1979* (WA)

² As per s50A (3)(a) iv.

increases. As a result, the standards of living of those on the lowest wages have fallen further behind community expectations and standards.

Given the rise in insecure work, unpredictable work hours and under-employment, the Council contends that the Western Australian Industrial Relations Commission should give increased consideration to the capacity of the minimum wage to adequately support the significant numbers of workers in these circumstances to maintain a basic standard of living, and by doing so ensure our labour market can respond effectively to changing conditions and emerging opportunities.

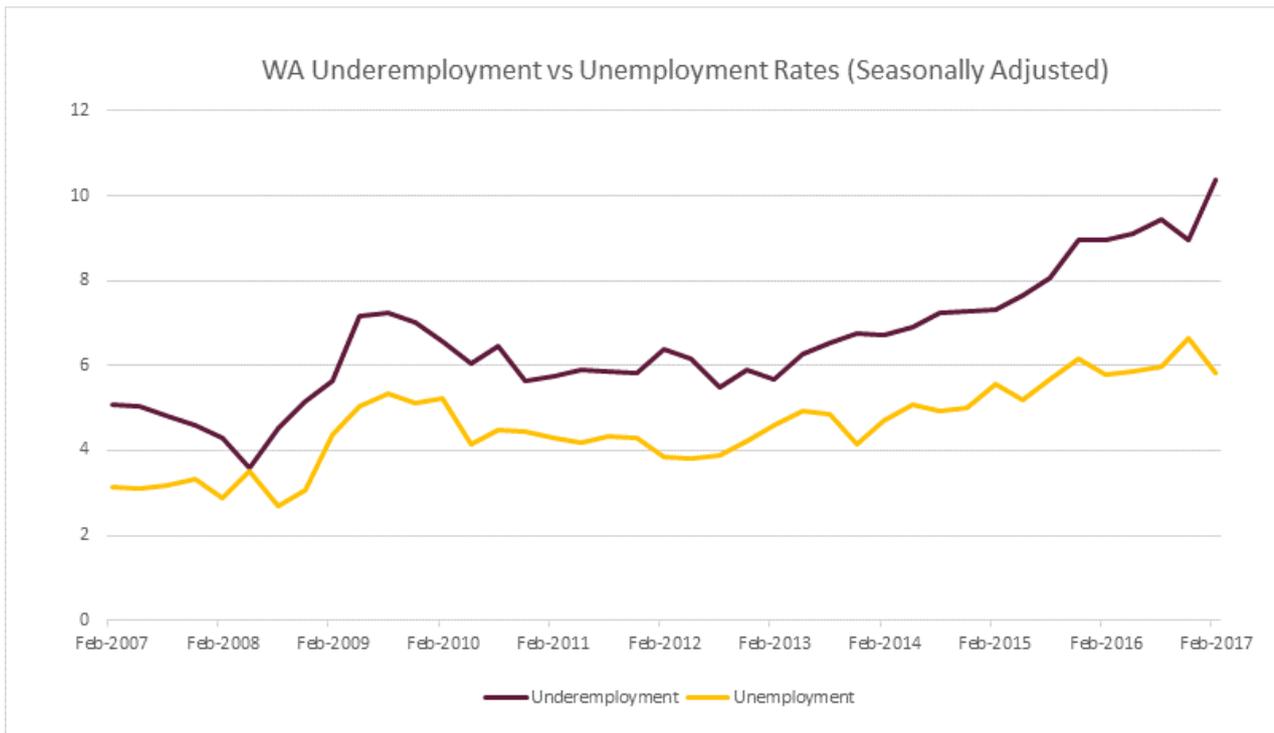
Taking into account the current weaker state of the Western Australian economy (relative to the period of the mining boom), the Council suggests that a \$45 per week increase in the state minimum wage will increase the spending power of those with the largest marginal propensity to consume — that is, those on lower incomes. It follows that the resulting increased spending will help drive growth in retail spending, improve consumer confidence, and help drive the economy. Increasing the adequacy of the minimum wage is arguably one of the most effective means of stimulating the economy, reducing inequality within our community, and maintaining community living standards.

3.0 The Changing Nature of Work

The nature of work within our community has changed dramatically in the last two decades, with increasing levels of short-term and insecure employment, increasing uncertainty in hours worked and income received from week to week, and increasing levels of underemployment.

Over the last ten years, Western Australia has seen a significant increase in levels of underemployment, reaching a seasonally adjusted rate of 17.3 per cent as of February 2017.

Figure 1: WA Underemployment Rate (Seasonally Adjusted)³

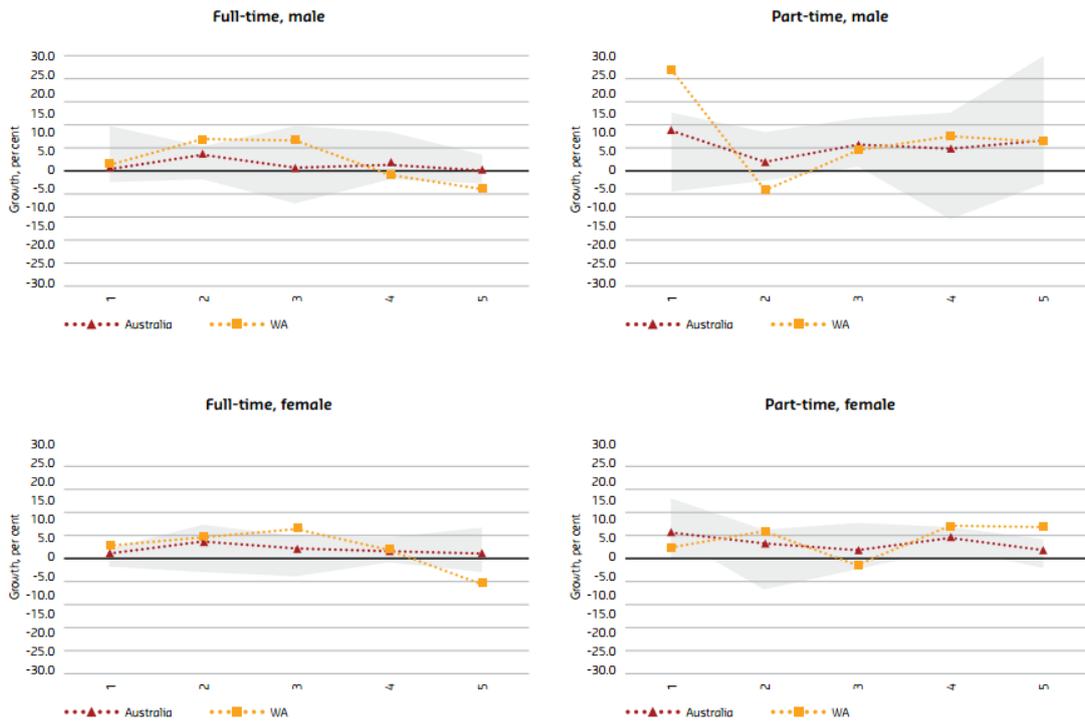


The Western Australian labour market has seen a shift away from full-time to part-time employment, with full-time employment growth declining since the end of the mining boom, and a rise in the part-time employment growth rate to 10 per cent as of 2016.⁴ This trend has been particularly pronounced in WA’s female labour force, where the growth in part-time work is outpacing the rest of Australia.

³ ABS (2017) 6202.0 Labour Force, Australia, Table 23. Underemployment by State, Territory and Sex – Trend, Seasonally adjusted and Original (updated 18 May 2017).

⁴ Bankwest Curtin Economics Centre (2016) *Back to the Future: Western Australia’s economic future after the boom, Focus on Western Australia*, Report Series No. 8, p 54

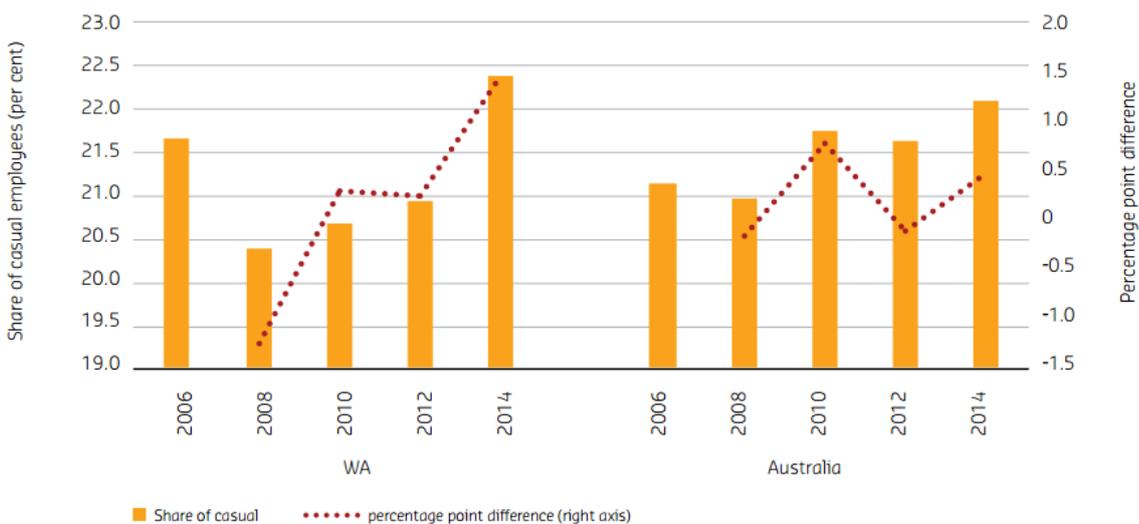
Figure 2: Growth in full-time and part-time employment by gender in WA versus rest of Australia, 2009 to 2016, per cent⁵



Notes: The shaded bands represent the maximum and minimum growth rates of all other states and territories combined.
 Source: BANKWEST CURTIN ECONOMICS CENTRE | AUSTRALIAN BUREAU OF STATISTICS Cat. No. 6202.0

Western Australia is also seeing both a faster and greater growth in the share of casual employees than the rest of Australia, rising to 22.5 per cent in 2014.

Figure 3: Share of casual employees, WA versus Australia, 2006 to 2014, per cent⁶



Notes: Tasmania and the territories are excluded from the figure because of small sample numbers.
 Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors calculations using the HILDA Survey

⁵ Ibid.

⁶ Ibid. p 57

Studies have shown that underemployment, like unemployment, can lead to poor mental health outcomes as a result of a financial hardship and a lack of a sense of mastery and social support. The lack of adequate employment can lead to high levels of distress, which may in turn hinder employment and educational opportunities.⁷

Former FIFO workers and those employed in mining-related industries are increasingly finding themselves underemployed. The follow-on impact of the significant reduction they have experienced in their income, is to make the management of their mortgages and borrowings highly stressful and complex, leading to increased levels of default and financial hardship. They may find also themselves resorting to as payday lenders or high levels of credit card debt to make ends meet.

For those who are already struggling to get by, accessing payday lending to pay off debts for normal living expenses (such as utility bills when they receive a disconnection notice) further compounds their financial problems. The high interest rates and fees on these loans make them difficult to repay, leading many to get stuck in a cycle of repeat borrowing and debt.

Consumer leases, or 'rent to buy' schemes are also being offered to many who do not have capacity to pay them. Consumers purchasing essential goods, such as fridges and washing machines, often end up being charged three times their value. Many fail to keep up with payments and end up having them repossessed after paying much more over time than they were worth.

Recent analysis undertaken by the Financial Counsellors' Association of Western Australia found that the highest consumers of payday lending in Perth were found in the 'working class' suburbs of Wanneroo/Wangara, Morley, Carey Park, Balga, Yokine and Innaloo.

The Council argues that as a result of the increasing casualisation and shift to part-time employment in the workforce, it is crucial that the Commission ensure that the State Minimum Wage is able to meet the needs of not only low paid full time workers, but that it also provides a fair wage for part-time and casual workers to be able to meet the living standards prevailing in the community.

Contemporary economic literature and empirical studies have been unable to demonstrate conclusively the effect of changes to minimum wages in Australia on employment or hours worked. As noted in Section 7.3 of this submission, a study of youth labour markets found that there was no evident correlation between youth unemployment rates and minimum wage rises in Australia.

The Low Pay Commission in the United Kingdom continues to report that the research it has conducted over the last 15 years has demonstrated that increases in the minimum wage in the UK have had no significant effect on employment or hours at an aggregate level.⁸ Though it is important to be cautious of drawing conclusions for Western Australia's wage system from

⁷ L Crowe, P Butterworth, L Leach (2016) 'Financial hardship, mastery and social support: Explaining poor mental health amongst the inadequately employed using data from the HILDA survey' *SSM – Population Health* vol. 2, p. 408

⁸ Low Pay Commission (2016) *National Minimum Wage Report*

international comparisons, it provides a useful point of consideration against the view that minimum wage increase inevitably have a negative employment impact.

4.0 Income and Wealth Inequality

As would be anticipated, those on and around the minimum wage can be found predominantly within the 2nd and 3rd income quintiles.

Figure 4: Share of population according to equivalised household income, minimum wage reliance and employment status⁹

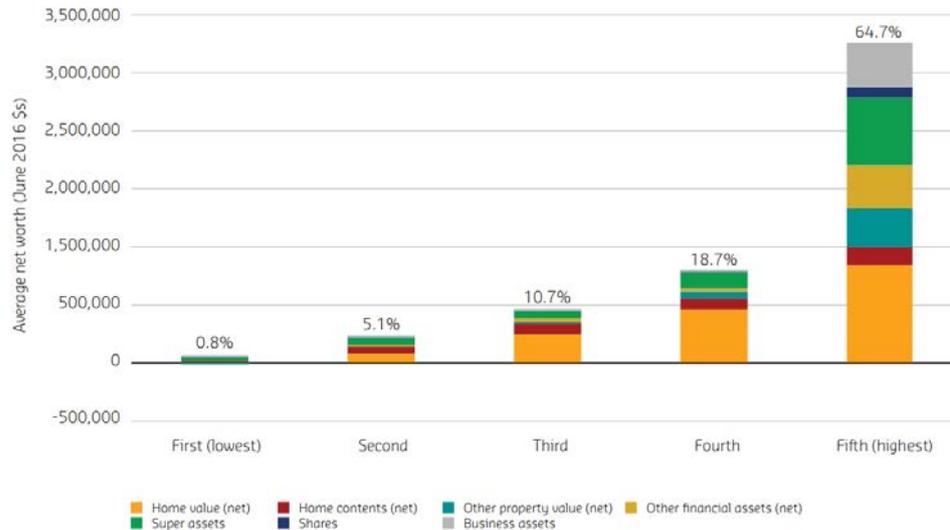
All persons aged 15 years or more, 2013-14

Category	1 st quintile	2 nd quintile	3 rd quintile	4 th quintile	5 th quintile
	(%)	(%)	(%)	(%)	(%)
0 to 110 per cent of the minimum wage	1.5	2.5	2.2	1.6	1.3
Above 110 per cent of the minimum wage	2.0	5.9	9.6	12.4	14.0
Other employed persons	1.3	1.9	1.8	1.9	2.8
Unemployed	1.1	1.1	0.6	0.5	0.3
Not in the labour force	14.8	7.1	5.0	3.8	3.1

Source: Productivity Commission estimates based on HILDA wave 13.

The 4th and 5th quintiles hold 83.4 per cent of household net wealth in Western Australia, as seen in Figure 3.

Figure 5: Share of household net wealth by quintile: Western Australia, 2013-14¹⁰



Note: Percentages represent the share of total net wealth held by each wealth quintile.
Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' estimates based on ABS Survey of Income and Housing (SIH), 2013-14.

The relationship between income and wealth is an important one, as wealth can act in and of itself as a source of income, and income (where sufficient) can provide a means by which to

⁹ Productivity Commission (2015) *Workplace Relations Framework, Productivity Commission Inquiry Report Volume 1*, p 210

¹⁰ Bankwest Curtin Economics Centre (2016) *Back to the Future: Western Australia's economic future after the boom, Focus on Western Australia*, Report Series No. 8, p 22

accumulate wealth. Furthermore wealth, in the form of accessible savings or liquid assets, can act as a buffer to enable greater workforce mobility and financial resilience, so that workers moving in and out of insecure employment or pursuing more promising future prospects have the capacity to be more mobile and financially secure.

As demonstrated by the Gini coefficient from the most recent ABS Survey of Income and Housing data, Western Australia has the highest rate of income inequality in Australia. The Gini coefficient is a measure of income distribution amongst a population. The numbers range between 0 and 1, with 0 corresponding to perfect income equality and 1 corresponding to perfect income inequality. Examining the Gini coefficient for all Australian states, Western Australia can be seen to have the most unequal distribution of income across Australia – higher even than the nation as a whole.

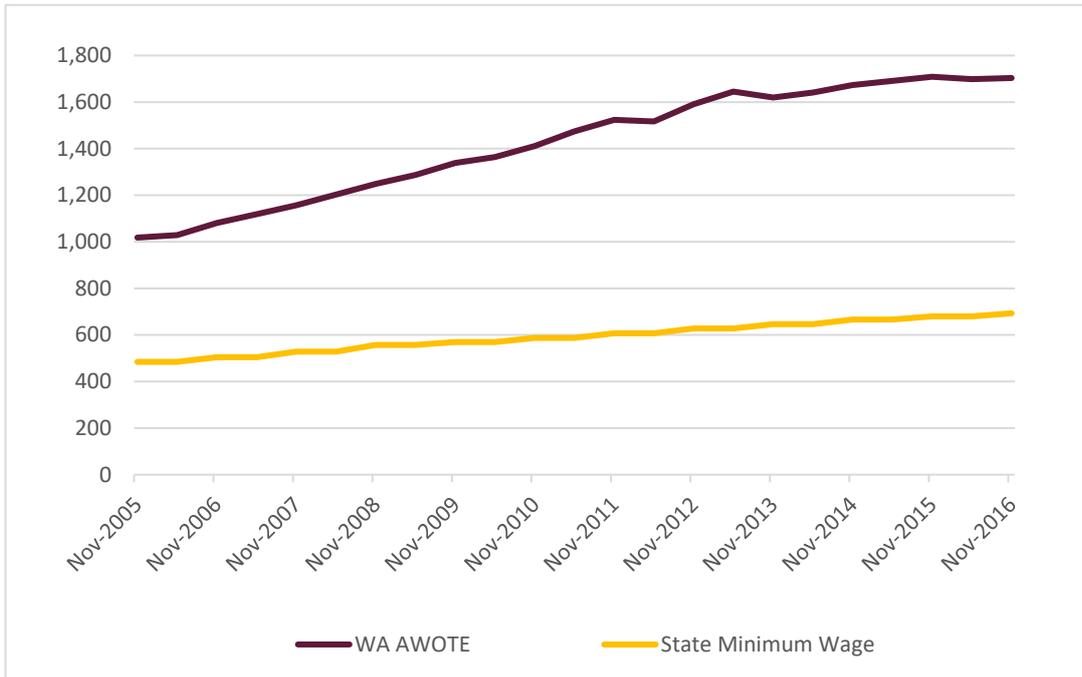
Figure 6: Gini Coefficient 2013-14 (National and States) ¹¹

	Gini Coefficient
WA	0.371
NSW	0.345
Australia	0.333
Queensland	0.325
Victoria	0.314
SA	0.291
Tasmania	0.281
ACT	0.272
NT	0.268

The Council remains concerned about the rate at which the gap between the state minimum wage rates and median pay levels has grown in Western Australia. As of November 2016, the minimum wage was only 40.7 per cent of the WA Average Weekly Ordinary Time Earnings (AWOTE). In November 2006, the minimum wage was 46.7 per cent of the WA AWOTE.

¹¹ ABS (2015) 6523.0 – *Household Income and Wealth*, Australia, 2013-14

Figure 7: WA AWOTE vs State Minimum Wage



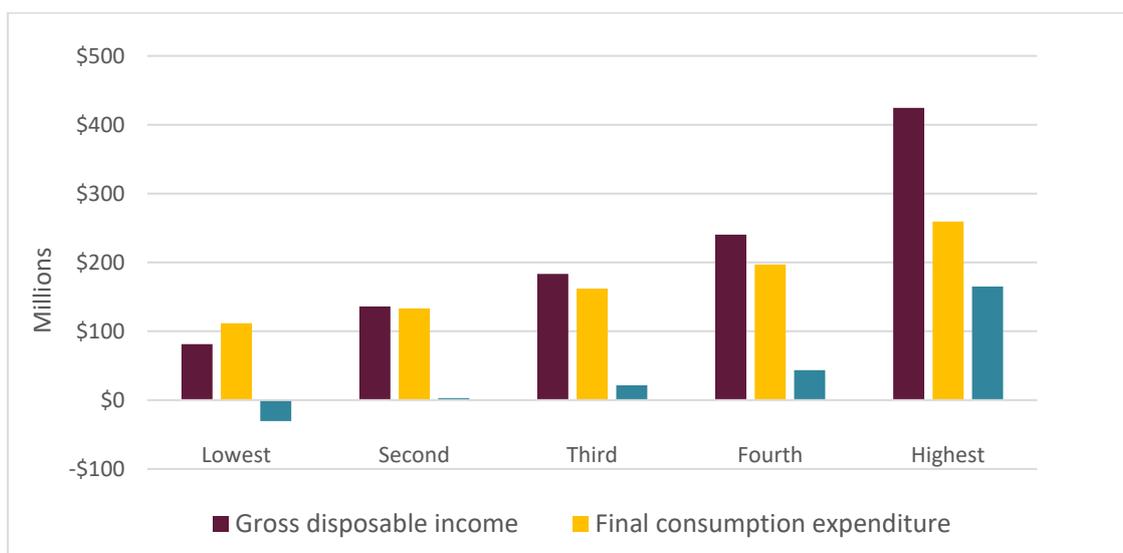
Since 2006, AWOTE increased in WA by over 57 per cent, while the State Minimum Wage only increased by around 37 per cent.

A \$45 increase to the minimum wage will not be enough to reverse this trend of growing inequality. Based on the November 2016 WA AWOTE, a \$45 increase would still only bring the State minimum wage up to 43.3 per cent of WA AWOTE - 3.4 per cent lower than November 2006.

Allowing the inequality within the Western Australian community to deepen, which would result from an insufficient increase to the minimum wage, will result in longer periods of less sustained economic growth.

The relationship between income and (largely non-discretionary) expenditure means that every extra dollar a low-wage worker earns is more than likely to end up boosting demand for goods and services, with those on the lowest incomes spending a proportionally higher amount of their earnings.

Figure 8: Household Income, Consumption and Saving by equivalised household income quintile, 2014-15¹²



A 2015 OECD report found:

Drawing on harmonised data covering the OECD countries over the past thirty years, the econometric analysis suggests that income inequality has a sizeable and statistically significant negative impact on growth, and the achieving greater equality in disposable income through redistributive policies has no adverse impact on growth.¹³

In fact, between 1985 and 2005 income inequality rose by more than 2 Gini points on average across 19 OECD countries, which is estimated to have resulted in cumulative growth between 1990 and 2010 being 4.7 percentage points lower.¹⁴

This study reinforces the findings by Ostry, Berg and Tsangarides (2014) from the International Monetary Fund's (IMF) Research Department, who released a significant report on the topic of inequality in 2014. Titled *Redistribution, Inequality, and Growth*.¹⁵ One of the report's key conclusions is that "lower net inequality is robustly correlated with faster and more durable growth, for a given level of redistribution."¹⁶

Inequality continues to be a robust and powerful determinant both of the pace of medium-term growth and of the duration of growth spells, even controlling for the size of redistributive transfers¹⁷

¹² ABS (2015) 5204.0.55.011 *Australian National Accounts: Distribution of Household Income, Consumption and Wealth, 2003-04 to 2014-15*, Table 1.7

¹³ OECD (2015) 'The Impact of Income Inequality on Economic Growth', *In It Together: Why Less Inequality Benefits All*, OECD Publishing, <http://dx.doi.org/10.1787/9789264235120-en>

¹⁴ Ibid. 'Overview of inequality trends, key findings and policy directions', p. 26

¹⁵ Ostry, JD, Berg, A & Tsangarides, CG (2014) *Redistribution, Inequality, and Growth*, International Monetary Fund Staff Discussion Note

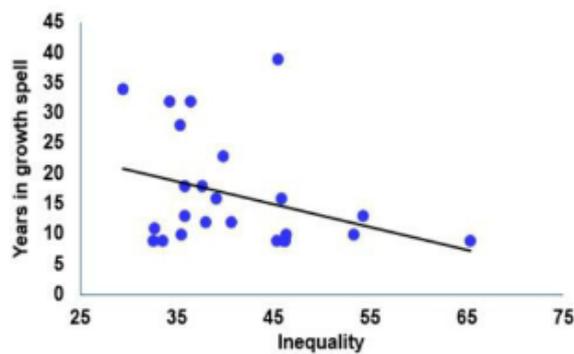
¹⁶ Ibid, p.4

¹⁷ Ibid, p.25

This finding is directly relevant to the considerations of the Commission on the State Wage Case in regards to the state of the economy of Western Australia and the likely effect of its decision on that economy and, in particular, on the level of employment, inflation and productivity in Western Australia.¹⁸

That is, lower levels of inequality deliver stronger economic growth.

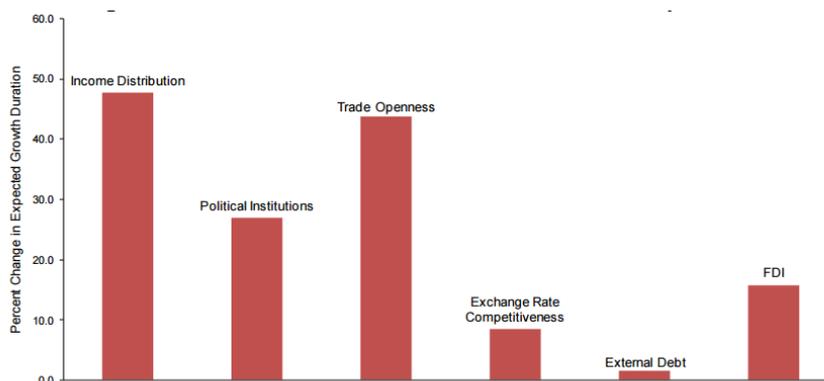
Figure 9: Inequality and sustained growth¹⁹



Source: Updated chart based on Berg and Ostry (2011), using data from Penn World Tables 9.0 and Wider World Income Inequality Database.
Notes: Based on completed spells that last at least 8 years.

Taking a number of different variables and hazards of growth into account, including the type of political institutions and trade openness, Berg and Ostry (2011) found that income distribution remains “one of the most robust and important factors associated with growth duration.”

Figure 10: Effect of Increase of Different Factors on Growth Spell Duration²⁰



Sources: Berg, Ostry, and Zettelmeyer (2008) and authors' calculations.
Note: For each variable, the height of the figure shows the percentage increase in spell duration resulting from an increase in that variable from the 50th to the 60th percentile, with other variables at the 50th percentile. For trade, the figure shows the benefits of having an open instead of a closed regime, using the Wacziarg and Welch (2008) dichotomous variable. For autocracy, the figure shows the effects of a move from a rating of 1 (the 50th percentile) to 0 (the 73rd percentile.)

¹⁸ *Industrial Relations Act 1979*, Clause 50A(3)(b)

¹⁹ P Loungani, J Ostry (2017) 'The IMF's Work on Inequality: Bridging Research and Reality' *IMF Blog*, <https://blogs.imf.org/2017/02/22/the-imfs-work-on-inequality-bridging-research-and-reality/>

²⁰ Berg and Ostry 'Inequality and Unstable Growth: Two Sides of the Same Coin?' (2011) *IMF Staff Discussion Note SDN/11/08*

As noted by the report's authors, it is important to be aware of the inherent limitations of the data set and of cross-country regression analysis more generally, but it is the case that the best macroeconomic data available has supported this conclusion.

Figures compiled for *The West Australian* newspaper by the National Centre for Social and Economic Modelling (NATSEM) in May 2017 have shown that the tax paid by a single parent on the minimum wage will have increased by almost two thirds between 2012 and 2018. Singles on half the average income have seen the same (66 per cent) increase in their tax burden while their disposable income increased by just 7.6 per cent over the same period. People on the minimum wage who were also receiving some form of government assistance saw a 44 per cent increase in their tax bills.²¹

Those who were earning double the average wage however, saw their tax bill increase by only 21 per cent – a rate lower than any other income group examined in the NATSEM data.

Since 2015, Australia has been a signatory to the United Nations Sustainable Development Goals. These goals commit us to progressively achieving and sustaining income growth for the bottom 40 per cent of the population at a rate higher than the national average by 2030.²² The continued growth of the divide between the minimum wage and average earnings fundamentally prevents this goal from being achieved with the evidence above giving a strong indication that the opposite is in fact happening and Australia is failing to meet out international commitments, with income inequality increasing and the bottom 40 per cent falling further behind.

To this end, a modest \$45 per week increase to the level of the state minimum wage is a small but important contribution the Commission can make to mitigating further growth in the level of inequality, and thus contribute to the delivery of stronger economic and social outcomes in Western Australia.

²¹ Shane Wright (2017) 'Budget 2017: Lowest paid workers to pay for surplus', *The West Australian*, 2 May 2017 <https://thewest.com.au/news/wa/low-paid-foot-bill-for-surplus-ng-b88461253z>

²² United Nations, 'Goal 10: Reduce inequality within and among countries, *Sustainable Development Goals*, <http://www.un.org/sustainabledevelopment/inequality/>

5.0 Poverty and Financial Resilience

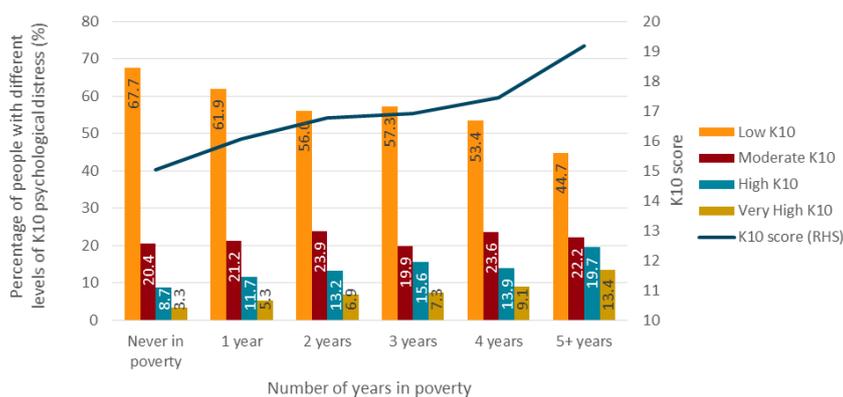
Using the standard 50% poverty line derived from a benchmark estimate of national median equivalised income, as well as excluding those who report as having zero or negative income, and deducting housing costs from income, the Social Policy Research Centre at UNSW have calculated that there are nearly 240,000 Western Australians in poverty.²³ The use of a national median is likely to underestimate the experience of financial hardship in WA, given higher living costs and higher median wages. Consideration of a 60% poverty line provides a good estimation of those individuals and households who are struggling to get by and at risk of financial hardship, suggesting an additional 150,000 Western Australians are at high risk.²⁴

Research published by ACOSS and the Social Policy Research Centre found that across Australia, *almost one third* of people living in poverty in 2014 were in households where *wages were the main source of income*:

- Using the OECD-preferred 50% of median disposable income poverty line, a total of 959,800 people in households for which wages were the main source of income lived in poverty in 2014. This comprises 32% of all people in poverty.
- Using the European Union-preferred poverty line of 60% of median disposable, a total of 1,048,900 people in households for which wages were the main source of income lived in poverty. This comprises 34% of all people in poverty.
- Households living below these poverty lines mainly comprised families with children (53% of households living below the 50% poverty line and 50% of those below the 60% poverty line).²⁵

Poverty is a well-established social determinant of health,²⁶ including psychological health. Persistent poverty plays a demonstrable role in increasing levels of psychological distress.²⁷

Figure 11: Persistent poverty and psychological distress



²³ Unpublished figures produced for WACOSS by the Social Policy Research Centre at UNSW and ACOSS

²⁴ Ibid.

²⁵ ACOSS/SPRC (2016) *Poverty in Australia 2016*

²⁶ M Marmot (2005) 'Social determinants of health inequalities' *The Lancet*, Vol 365, Issue 9464

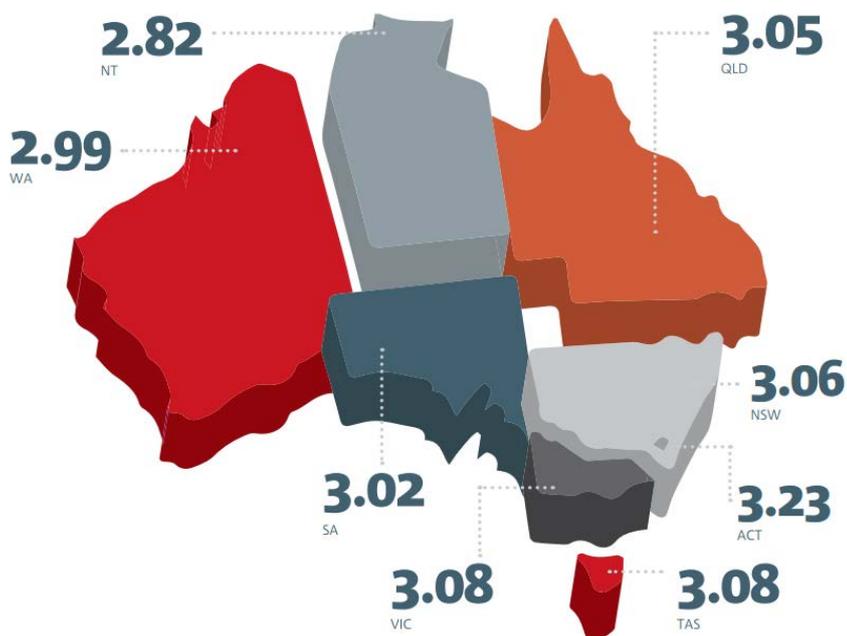
²⁷ A Duncan (2016) 'Poverty in WA – WACOSS Ant-poverty week' presentation, Bankwest Curtin Economics Centre

Poverty also places people’s financial resilience under significant pressure. As defined in a recent report by the Centre for Social Impact:

*Financial resilience is the ability to access and draw on internal capabilities and appropriate, acceptable and accessible external resources and supports in times of financial adversity.*²⁸

On a scale of 1 to 4, with 1 being severe financial stress and 4 being financial security, Australia has an overall financial resilience mean of 3.06. WA, however, not only has a lower level of financial resilience than the overall mean, but in fact has the second lowest level out of every state and territory.²⁹

Figure 12: Financial resilience – state and territories³⁰



Poor financial resilience for low income households can mean that just one emergency or crisis, such as crises related to their health, employment or living situation, could find them facing severe financial shock and becoming over-indebted.

Financial resilience also provides an indication of a household’s workforce responsiveness. Those who are unable to draw upon resources and supports in a time of financial adversity, have a lower capacity to weather periods of unemployment or underemployment, or to have enough financial independence to be able to effectively seek a new job.

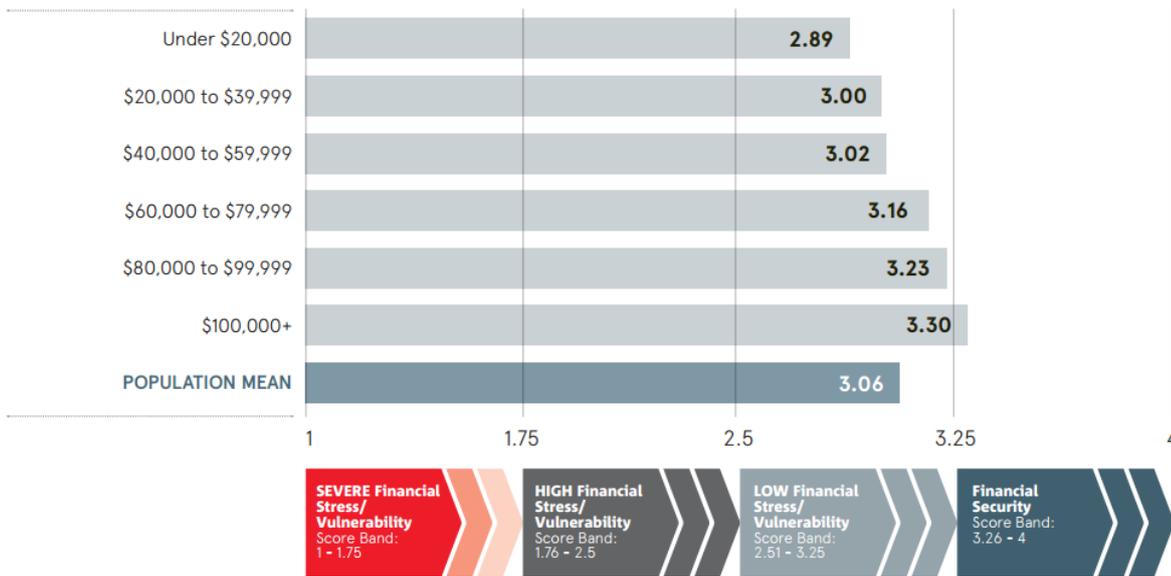
As can be seen in Figure 7, those on the lowest incomes across Australia have higher levels of financial stress and vulnerability.

²⁸ Centre for Social Impact, *Financial Resilience in Australia*, August 2016

²⁹ Ibid.

³⁰ Ibid.

Figure 13: Financial resilience – income (Australia)³¹



Source: Roy Morgan Research 2015. Notes: Sample size = 773 (excludes 723 respondents who did not indicate their income level) weighted to be representative of the Australian population aged 18+.

An increase to the minimum wage would be an important step towards enabling those in low-income households to improve their financial resilience, enabling them to respond more effectively to changing employment and financial circumstances. A lack of resilience and a concomitant increase in financial hardship means both an increase in reliance on financial counselling and emergency relief services (who are already reporting high levels of unmet need), and a reduction in labour market responsiveness – both of which impact adversely on the strength of our economy and the well-being of low paid workers and their families.

6.0 The Cost of Living in WA

The Council’s members bear professional witness to the plight of low-income individuals and households – in particular, those who have struggled to achieve and maintain an acceptable standard of living by Western Australian standards, while working full time.

Increasing household fees and charges, as well as the lack of affordable accommodation for those on low incomes places significant strain on the financial resilience of those earning the minimum wage.

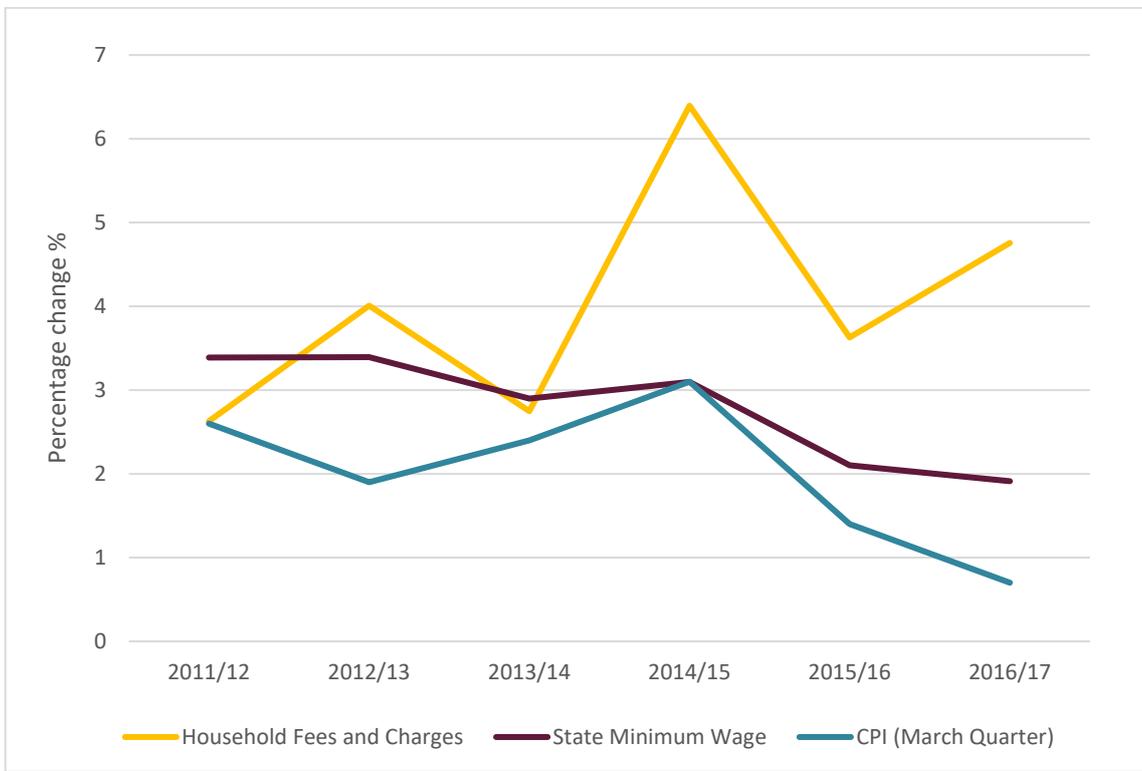
The 2016-17 WA Budget shows the impact of rising household fees and charges in 2016-17 is **an additional \$257 or 4.76%** for a representative WA household, which includes the \$99 for the expanded insurance cover under the CISS.³² Since 2011/12, there has been a rise of \$1,074.35

³¹ Ibid.

³² WA Budget 2016-17, Budget Paper 3

or 23.43 per cent. The representative household model in the State Budget Papers is based on a household with a single income (full-time work), two adults and two children.

Figure 14: Household fees and charges, State Minimum Wage, CPI percentage changes



Source: WA Budget 2016-17, Budget Paper 3; ABS 6401.0 – Consumer Price Index, Australia, Mar 2017

Without a \$45 per week increase to the level of the state minimum wage, those workers earning a minimum wage will struggle with the cost of living and may fall into financial hardship.

The ability of low-income households in WA to achieve a basic standard of living is the focus of the Western Australian Council of Social Service’s (the Council’s) *Cost of Living Report*, which has been produced annually since 2007. The report is produced in or after September every year as it is reliant on the release of ABS figures for the financial year. This report models three low-income households, and examines the adequacy of their income to enable them to afford a basic standard of living in line with agreed community standards during the previous financial year. Through this modelling, we seek to provide a picture of the challenges low-income households face year by year as they endeavour to ensure their basic costs of living do not exceed their meagre income.

Figure 15: Income and expenditure of our three model households (2015-16)

	Income	Expenditure	Net Position
Single Parent Family	\$978.00	\$905.92	\$72.08
Working Family	\$1,425.59	\$1,294.62	\$130.97
Unemployed Single	\$310.46	\$343.67	-\$33.21

The model’s Single Parent Family works 18 hours a week for 39 weeks a year at minimum wage plus casual loading and is eligible for government payments. The model’s Working Family has one parent working full (minimum wage + 33%), with the other casual (16 hours per week at minimum wage with casual loading). They too are eligible for government payments.

Though the 2016 report saw an appreciable improvement during 2015-16, it is important to remember that these calculations make little to no allowance for the families to save, for the single parent to undertake training in order to improve their employment prospects, or to enable the family to be able to respond to an unexpected cost or crisis (if the fridge or car breaks down). The single family does not have any health or home and contents insurance, and the model does not provide for any spending on items such as birthday presents, school excursions or other “non-essential” items.

For the full WACOSS *Cost of Living Report 2016*, we direct your attention to the attachment accompanying this submission.

5.1 Housing: The major cost of living pressure in WA

Housing, and in particular the unaffordability of the private rental market, and low supply of public and community housing relative to demand, is *the* most pressing issue facing low-income individuals and households in Western Australia. As the single largest living cost for WA households, housing is also the biggest contributor to financial hardship and the biggest risk factor for financial crisis for those on low and fixed incomes.

Given housing is a fundamental need that accounts for the largest percentage of household expenditure, the Council submits that the unaffordability of housing in WA *must* remain a key consideration of the Commission with regards to the need (under clause 50A(3)(a) of the *Industrial Relations Act 1979*) to provide “fair wage standards in the context of living standards generally prevailing in the community” And to “meet the needs of the low paid”.³³

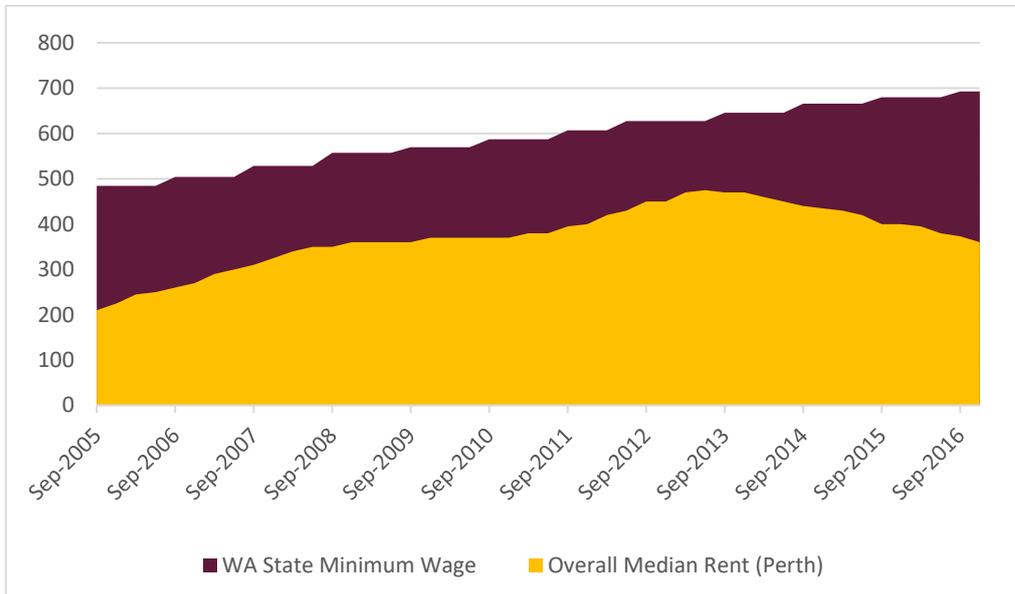
Rental affordability

On average, rent continues to make up around a third of weekly expenditure for low income households. As can be seen in the graph below, while the overall median rent does not now consume as much of the State minimum wage as it did during the peak of the economic boom 2013, it still accounts for *over 51 per cent*. For those households in the bottom 40 per cent of Australia’s income distribution, they are considered to be in “housing stress” when their housing costs exceed *30 per cent* of their income – meaning that if a household earning a

³³ *Industrial Relations Act 1979*, Clause 50A(3)(a)

minimum wage is in the bottom 40 per cent of equivalised disposable income and is paying 51 per cent of their income on rent, they will most certainly qualify as being in severe housing stress.

Figure 16: State minimum wage vs overall median rent



It is important to recognise that the median rental price is a measure of the amount paid for *new* rental contracts rather than ongoing ones. Many lower income earners are in a position to negotiate their rents down due to a lack of experience and confidence or as a result of their precarious financial situation (that is, they report being fearful of indicating to their landlord they may have trouble paying the rent in the future as they might be perceived as a ‘risky’ tenant). Furthermore, as many are unable to find available and affordable alternative rental options within their community, making the prospect of moving unfeasible and hence depriving them of a negotiating position.

The discrepancy between median rents and the lived experience of those on low incomes is what makes research such as the annual *Anglicare Rental Affordability Snapshot* so valuable.

This report takes a ‘snapshot’ on a given day of the rental market and examines whether the properties being advertised are both affordable for a range of different low income types and whether those properties are appropriate for the composition of their household.

The *2017 WA Rental Affordability Snapshot* found that a couple with two children in the Perth metropolitan area, where *both* parents were receiving the minimum wage and Family Tax Benefit Part A, were able to find 5,817 affordable and appropriate rental properties, which accounted to 46.8 per cent of those being advertised.³⁴

That number more than halves as soon as *only one* of the parents has access to the minimum wage, down to only 2,244 affordable and appropriate properties or only 18 per cent of those advertised.

³⁴ Anglicare (2017) *WA Rental Affordability Snapshot*

For a single parent of two children on the minimum wage and receiving Family Tax Benefit Part A and B, their options are even fewer, with only 764 properties affordable and appropriate or *only 6.1 per cent* of those advertised. A single on the minimum wage earner would only be able to find 124 or *just 1 per cent* of rental properties advertised that were affordable and appropriate, which included boarding houses or renting a room in a share house.

Figure 17: Greater Metropolitan Perth WA

Household Type	Payment Type	Number Affordable & Appropriate	Percentage Affordable & Appropriate
Couple, two children (one aged less than 5, one aged less than 10)	Minimum Wage + FTB A (both adults)	5817	46.8%
Single, two children (one aged less than 5, one aged less than 10)	Minimum Wage + FTB A & B	764	6.1%
Single	Minimum Wage	124	1.0%
Couple, two children (one aged less than 5, one aged less than 10)	Minimum Wage + Parenting payment (partnered) + FTB A & B	2244	18.0%
Total No of Properties		12,437	

The Southwest and Great Southern, and the Northwest regions follow the same percentage trend, though the number of actual properties available are significantly lower. A single on the minimum wage in the Southwest and Great Southern would only be able to find 27 properties being advertised that were affordable and appropriate, while in the Northwest they would only be able to find 13.

Figure 18: Southwest and Great Southern WA

Household Type	Payment Type	Number Affordable & Appropriate	Percentage Affordable & Appropriate
Couple, two children (one aged less than 5, one aged less than 10)	Minimum Wage + FTB A (both adults)	635	65.5%
Single, two children (one aged less than 5, one aged less than 10)	Minimum Wage + FTB A & B	146	15.1%
Single	Minimum Wage	27	2.8%
Couple, two children (one aged less than 5, one aged less than 10)	Minimum Wage + Parenting payment (partnered) + FTB A & B	275	28.4%
Total No of Properties		970	

Figure 19: Northwest WA

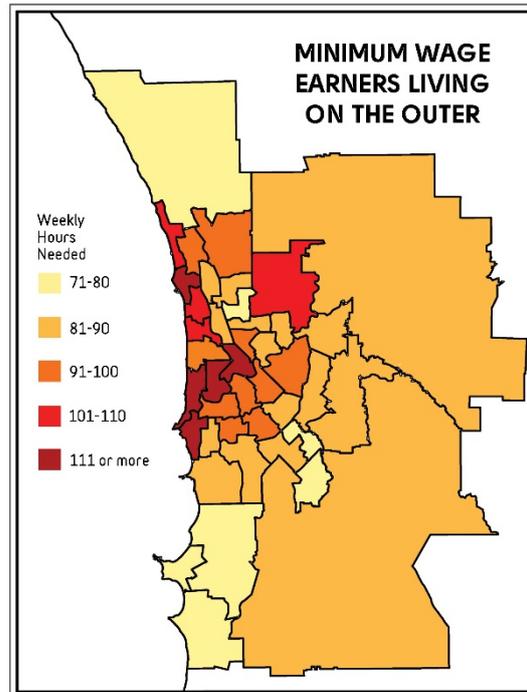
Household Type	Payment Type	Number Affordable & Appropriate	Percentage Affordable & Appropriate
Couple, two children (one aged less than 5, one aged less than 10)	Minimum Wage + FTB A (both adults)	234	32.7%
Single, two children (one aged less than 5, one aged less than 10)	Minimum Wage + FTB A & B	55	7.7%
Single	Minimum Wage	13	1.8%
Couple, two children (one aged less than 5, one aged less than 10)	Minimum Wage + Parenting payment (partnered) + FTB A & B	103	14.4%
Total No of Properties 716			

These statistics demonstrate the Council’s position that, while there has been a clear reduction in the *median* rental price, those on the lowest incomes are still facing very significant challenges in the rental market. As a result, they are either renting places that are inappropriate for their life circumstances, or that consume a significantly higher percentage of their income than is in line with agreed community standards. That is, rental affordability is significantly contributing to financial stress in minimum wage households, resulting in high levels of households in or at risk of poverty.

The fact that a single person on the minimum wage can only find 1 per cent of rental properties in the Perth metropolitan region that are affordable and appropriate for their living conditions, let alone only 13 properties in the entire Northwest, is a clear indication that the minimum wage is insufficient and not meeting the needs of the low paid.

5.2 Transportation

Low-income households are more likely to live in the outer and fringe areas of Perth, where rental and housing costs are lower. A 2014 analysis by Anglicare of their rental affordability snapshot data demonstrated the pushing out of affordability of renting for minimum wage earners to the outer suburbs of Perth.³⁵



2014 Rental Affordability: Weekly hours at minimum wage needed to afford average rent of 1, 2 or 3 bedroom property.

Source data: Anglicare WA's 2014 Rental Affordability Snapshot mapped by State electoral boundaries.

With those in outer suburbs either having to take long commutes by public transport or are in areas with little option other than driving, transportation costs take a proportionally larger bite out of earnings of people on low incomes.

The *2016-17 State Budget* saw an increase in motor vehicle fees and charges of \$104.13 or 14.91 per cent. Public transport fees for those not on a concession rose by \$18.20 or 2.07 per cent.

³⁵ Anglicare WA (2014) 'Minimum wage earners living on the outer'
<https://www.anglicarewa.org.au/news/article/04052014-207/minimum-wage-earners-living-on-the-outer.aspx>

Figure 20: Transport fees and charges

	2015-16 \$ level	% change	\$ change	2016-17 \$ level
Motor Vehicles				
Vehicle licence charge	\$326.51	2.45	\$8.00	\$334.51
Recording fee	\$12.85	-5.84	-\$0.75	\$12.10
Drivers licence ^(a)	\$83.60	0.00	\$0.00	\$83.60
CTP insurance	\$275.34	2.50	\$6.88	\$282.22
Catastrophic Injuries Support Scheme (CISS) ^(b)	-	-	\$90.00	\$90.00
Total	\$698.30	14.91	\$104.13	\$802.43
Public Transport				
Student fares	\$312.00	0.00	\$0.00	\$312.00
Standard fares (2 zones) ^(d)	\$878.80	2.07	\$18.20	\$897.00
Total	\$1,190.80	1.53	\$18.20	\$1,209.00

A 2016 survey on energy poverty in Western Australia, conducted by Bankwest Curtin Economics Centre found that those on low incomes:

were often forced to buy cheap, older, higher fuel consumption cars and might drive rather than walk in order to take advantage of lower priced food, for example, even when a closer (but more expensive option) existed.³⁶

The cost of transport fuel was also found to have an impact on low-income earner's job search and employment decisions, with nearly one quarter of respondents in the lowest income bracket indicating that concerns over the cost of getting to an interview had affected their decision whether or not to attend.³⁷

5.3 Utilities

Difficulties in paying utility bills provide significant insight into the financial state of low-income households in our community.

Having to pay a utility bill can necessitate a choice between avoiding homelessness or purchasing food for the family versus retaining light and a running fridge or heating/cooling for their home. As a result, low-income earners may be forced to forsake services, such as water or electricity, which are essential to maintaining a reasonable standard of living in order to feed themselves, or to keep a roof over their head.

2015-16 saw a significant increase in electricity and gas customers seeking assistance from their energy retailer, and a rise in direct debit terminations due to default. In electricity, *11 per cent* or more than one in ten residential customers were granted more time to pay a bill (payment extension), up from 8.7 per cent in 2014-15, with the proportion of residential electricity

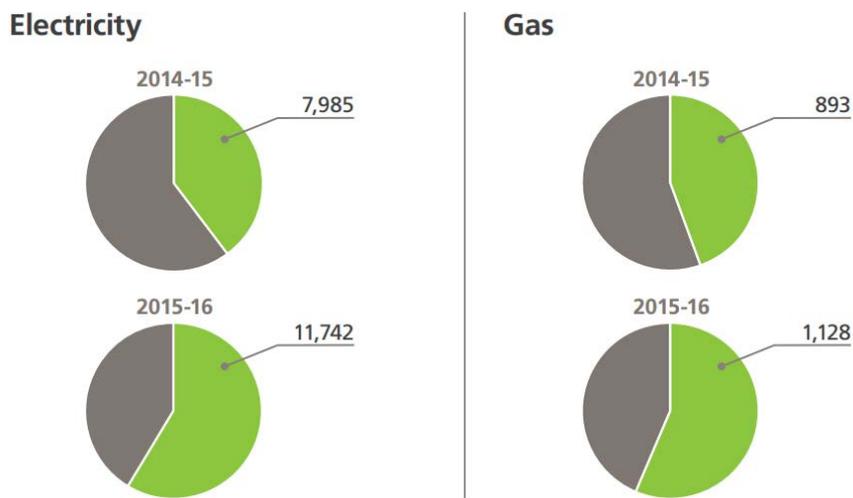
³⁶ Bankwest Curtin Economics Centre (2016) *Energy Poverty in Western Australia: A Comparative Analysis of Drivers and Effects*. BCEC Research Report No. 2/16, p 284

³⁷ Ibid.

customers on instalment plans reaching a six-year peak in 2015-16 at 4.7 per cent or nearly one in five.

Retailers are required to keep records of the number of direct debit plans they have terminated as a result of default (that is, non-payment in two or more successive payment periods). As can be seen below, the last financial year saw a sizeable increase in the number of direct debit cancellations due to non-payment.

Figure 21: Residential direct debit cancellations³⁸



In their annual performance report of energy retailers, the Economic Regulation Authority directly quoted Synergy as explaining:

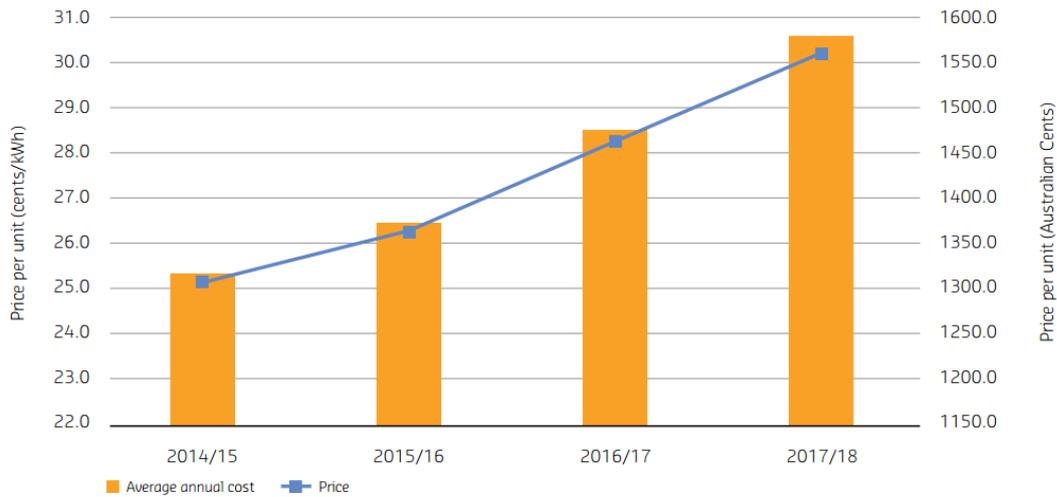
*2015-16 was a difficult year for residential customers, with increasing demands on their disposable income due to a decline in economic conditions.*³⁹

The pressure on living costs from energy prices is not expected to decrease. Forecasts show continued steep rises in electricity prices over the next year.

³⁸ Economic Regulation Authority (2017) *Snapshot of the small use energy market in WA*

³⁹ Economic Regulation Authority (2017) *2016 Annual Performance Report – Energy Retailers*, p. 9

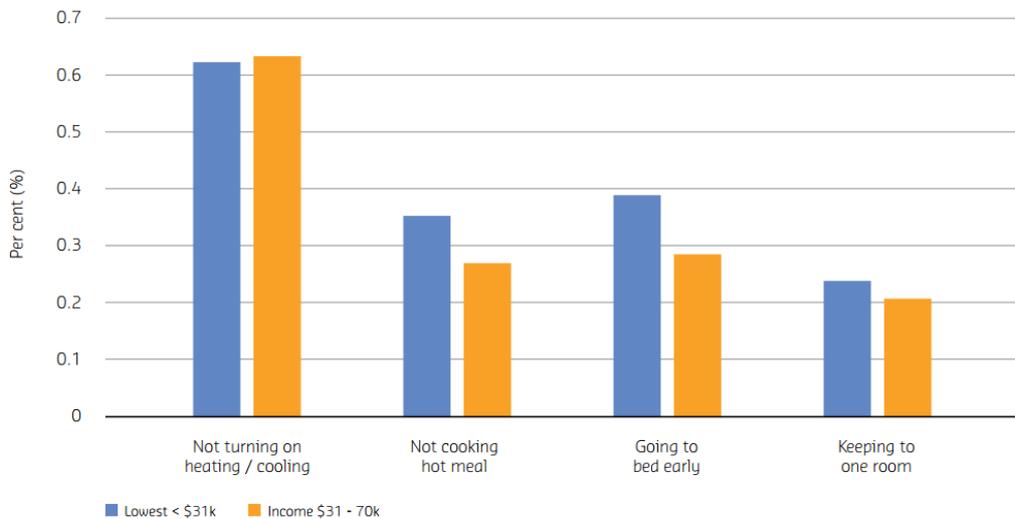
Figure 22: Projected trends in residential electricity prices and annual costs in WA⁴⁰



Source: AEMC, 2015

The BCEC Energy Poverty survey found that a number of low-income households were resorting to different measures in order to reduce their power bills.

Figure 23: Proportion of low income households reporting use of cost cutting measures⁴¹

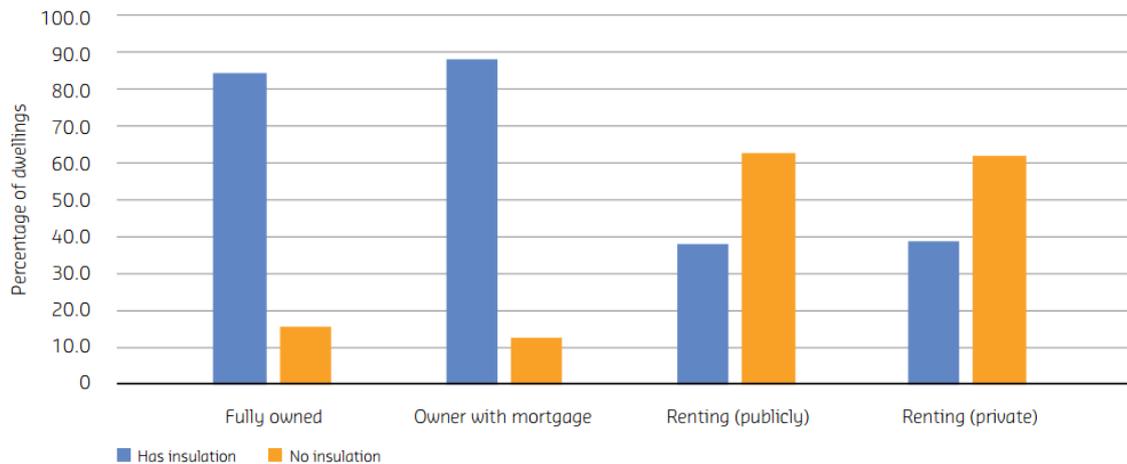


The report found that rental households were dramatically less likely to be insulated, meaning that those on low incomes were more likely to be using more power to regulate the temperature in their dwelling.

⁴⁰ Bankwest Curtin Economics Centre (2016) *Energy Poverty in Western Australia: A Comparative Analysis of Drivers and Effects*. BCEC Research Report No. 2/16

⁴¹ Ibid.

Figure 24: Percentage of dwellings with insulation in Perth 2009/10 (%)⁴²



Source: ABS. Cat. No. 4656-5

The Hardship Utility Grant Scheme (HUGS) provides financial assistance to those in financial hardship in order to pay their utility bills. An average of 55 people a day applied for HUGS over the last financial year, with approximately 10,000 Synergy customers referred to HUGS in 2015/16.⁴³

The Financial Counselling Network, which regularly assists those struggling to pay their utility bills, estimates that, as a result of rising demand and insufficient resourcing, they will turn away over 6,000 clients during this year who contact the service wanting to make an appointment.

Information provided to WACOSS by the financial counselling and emergency relief sectors indicate that 99% of households in extreme financial hardship will be unable to re-pay their electricity debts. The energy consumption of this type of household is on average twice as high as the median account due to being unable to afford to invest in energy saving infrastructure or appliances, as well as being more likely to live in energy inefficient housing without insulation.

As those households on average or better wages who own their own home are increasingly investing in solar energy and battery storage systems to reduce their electricity costs, fixed and network charges will continue to rise to maintain network profitability, resulting in an increased impost on those on lower incomes and in rental properties who have neither the means nor the choice to invest in photovoltaics, insulation or efficient new appliances.

The rising cost of energy in Western Australia is clearly outpacing the ability of those on low incomes to be able to pay for it. **A rise in the minimum wage is essential so that those on low incomes are able to cover their power bills and maintain their living standards.**

⁴² Ibid.

⁴³ J Kelly (2016) 'Chill hits power bill' *The Sunday Times*, 28 Aug 2016, p 11

7.0 The Impact on Specific Cohorts

7.1 Community Sector Workers

Community sector service providers play an important role in supporting vulnerable members of the WA community, including many who struggle to survive on low wages due to rising costs of living. **The community sector's capacity to provide quality services to support vulnerable members of the community depends on the availability of suitably skilled employees, many of whom rely on award systems for their wages.**

The community services sector in Western Australia has consistently been under-resourced, and sector employees have been significantly underpaid when compared to public sector employees undertaking similar work.

According to the Fair Work Commission, 440,000 Australian employees (28.8% of all employees) in health care and social assistance were award-reliant in 2016. The sector was in the top four industries with the highest proportions of award-reliant workers, together with the retail, accommodation and food services, and administrative and support services sectors.⁴⁴

Within WA, around 58% of the expenditure by WA charities and not-for-profits is on employee expenses, totalling around \$6.68bn. Employee expense are generally spent within the WA economy, and often within the local geographic area in which the charity operates, creating a multiplier effect. Staff on lower average salaries tend to spend a higher proportion of their salaries on daily living expenses, adding to this multiplier effect. As such, the \$6.7bn in annual employee expenses makes a significant contribution to WA's economy. Given that demand for community services tends to be counter-cyclical and that 47% of services are funded from public sources the charitable sector may be less subject to market forces and 'boom-and-bust' cycles than for-profit sector industries, hence playing a key role in diversifying our economy and increasing its resilience.⁴⁵

Furthermore, the health and social service sectors are projected to continue to be among the fastest growing employers within our economy.

An increase of \$45 per week to the minimum wage will make a measurable and significant positive contribution to the improved living standards for employees in the community services sector, while also having a stimulatory effect on the state of the Western Australian economy.

⁴⁴ Fair Work Commission (2017) *Statistical report – Annual Wage Review 2016-17*

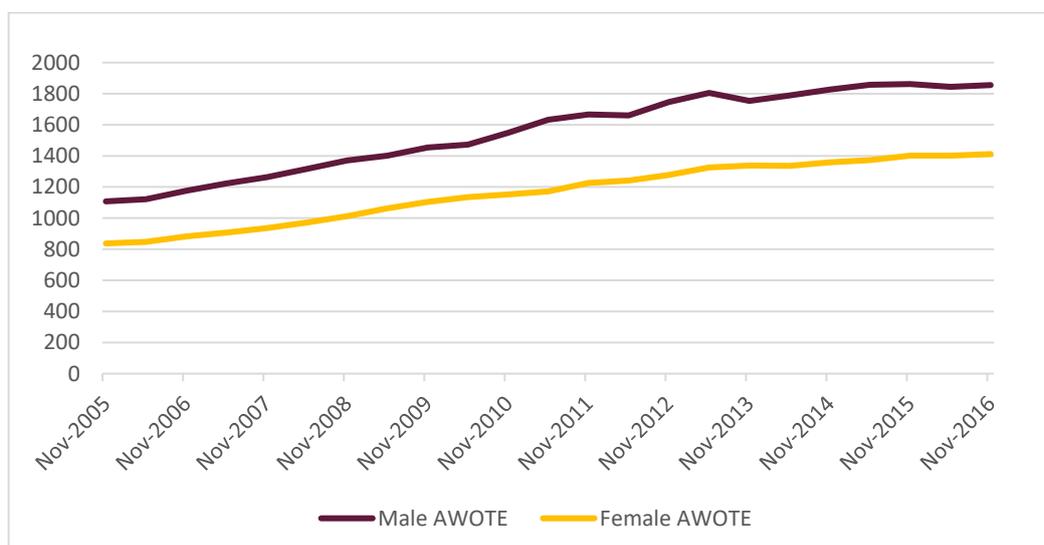
⁴⁵ Gilchrist, D. J. and P. A. Knight, (2017) [WA's Not-for-profit Sector 2017: The First Report on charities and Other Not-for-profits in WA](#). A Report for the Western Australian Council for Social Service. Perth, Australia, p. 29

7.2 Women

Research undertaken for the Fair Work Commission found that women are overrepresented among those earning below or just above the minimum wage. Women make up 47 per cent of all adult employees, but between 50 and 57 per cent of those who earned below and just above the minimum wage.⁴⁶ With relevance to section 7.1 on community sector employees, it is important to note that women comprise approximately 85% of the community sector workforce and hence the pay gap for community sector workers contributes significantly to the overall gender pay gap.⁴⁷

As of November 2016, Western Australia continues to have the widest gender pay gap in Australia at 23.9 per cent, compared to a nationwide gap of 16 per cent.⁴⁸

Figure 25: Male vs Female AWOTE



The impact of the gender pay gap cannot be understated. In a recent joint report by the Workplace Gender Equality Agency and Bankwest Curtin Economics Centre, it was stated that:

The consequences of such inertia in the gender pay gap are both severe and diverse. At a macroeconomic level, gender pay gaps can depress economic growth and productivity. At an individual level, it slows down the rate of wealth accumulation by women relative to men. The ramifications reverberate across the life course, with women bearing greater exposure to poverty and disadvantage at every age. Within the context of an ageing population in which women are disproportionately represented, gender pay gaps and gender wealth gaps not only pose significant risks for the

⁴⁶ L Nelms, P Nicholson and T Wheatley (2011) *Employees earning below the Federal Minimum Wage: Review of data, characteristics and potential explanatory factors*

⁴⁷ ACOSS (2012, September) *Reflecting Gender Diversity: An analysis of gender diversity in the leadership of the community sector: Inaugural survey results*, Prepared in partnership with YWCA Australia and Women on Boards.

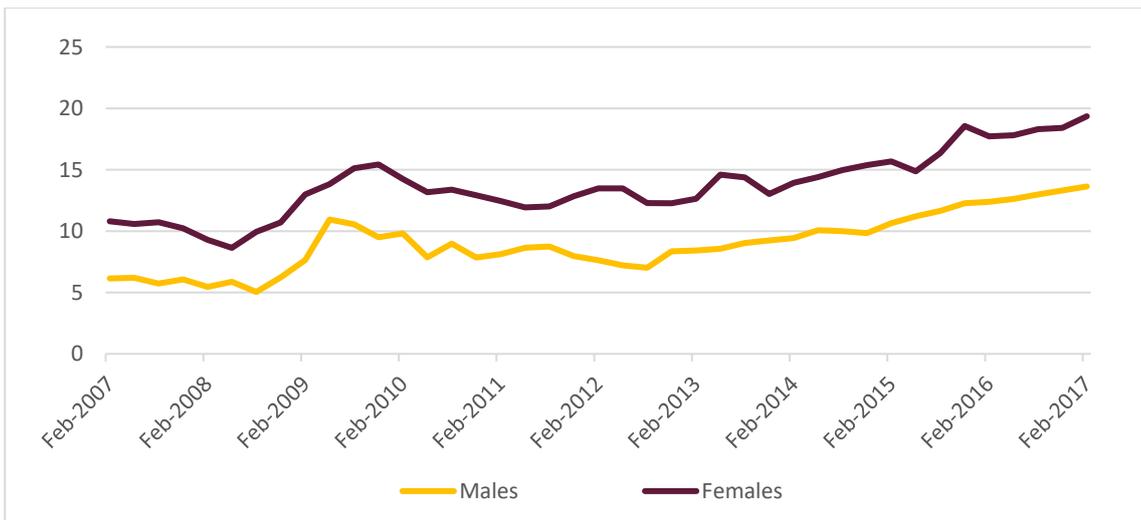
⁴⁸ Workplace Gender Equality Agency (2017) *Gender pay gap statistics*

<https://www.wgea.gov.au/sites/default/files/gender-pay-gap-statistics.pdf>

economic wellbeing of Australian women, they also have important implications for social equity and fiscal sustainability.⁴⁹

Women comprise 75 per cent of the part-time workforce in Australia, as well as around 56 per cent of all casual workers.⁵⁰ Women also continue to experience underemployment at a higher rate than men in Western Australia, with a rate of 19.4 per cent in February 2017, compared to 13.6 per cent for male workers.

Figure 26: WA Female vs Male Underemployment Rate % (Seasonally Adjusted)



One reason for this The high rate of women experiencing underemployment is directly related to the disproportionate responsibility women have for unpaid work (including the care of elderly people, children and adults with disability and grandchildren). The living standards and well-being of women on the minimum wage (including the high numbers in part-time and casual work, as well as those experiencing insecure work and under-employment) thus has a wider impact on the health and well-being of those they care for and those who are dependent on them. In this context, the adequacy of the living standards of women with caring responsibilities makes a wider contribution to community well-being. Conversely, where women on low incomes are struggling to get by, there is a real risk that either their connection to the workforce is put at risk, or that the value of the unpaid care they are delivering may need to be met by the community.

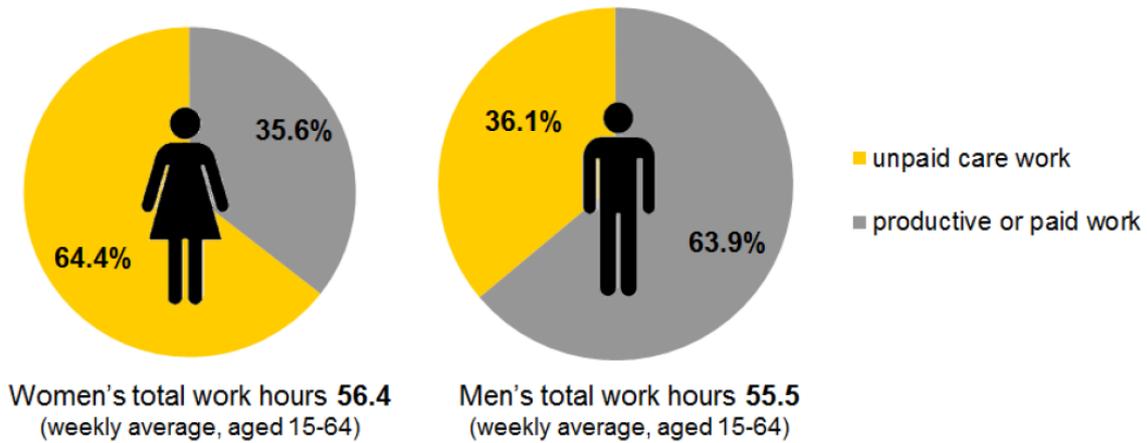
In Australia, there is an average 'gender time gap in unpaid care work' of two hours and 19 minutes per day, with women spending 64.4 per cent of their working time on unpaid care work a week, compared to 36.1 per cent for men.⁵¹

⁴⁹ Workplace Gender Equality Agency, Bankwest Curtin Economics Centre (2017) Gender Equity Insights 2017: Inside Australia's Gender Pay Gap

⁵⁰ Ibid.

⁵¹ Workplace Gender Equality Agency (2016) *Unpaid care work and the labour market*, Insight Paper

Figure 27: Paid and unpaid work in Australia⁵²

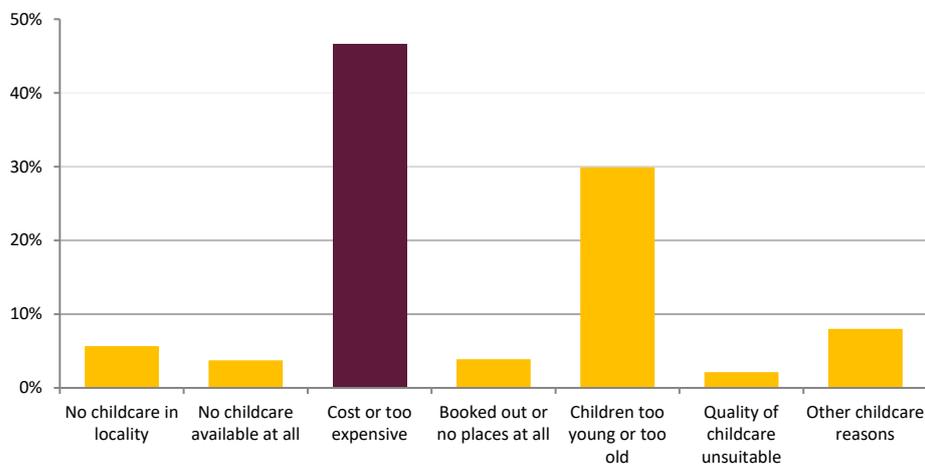


Source: Data participation rate Australia (15+ year olds). Care work data refers to the latest available year in Australia: 2006.

A 2013 ABS report *Persons not in the labour force*,⁵³ asked people who were not currently in the labour force (but instead caring for children) *why* they were not in the labour force.

After excluding those respondents who were not in the labour force because their preference was to care for their children (described as “Prefers to look after children”), the findings of the survey question are shown in Figure 5.

Figure 28: Reasons those caring for children are not in the labour force⁵⁴



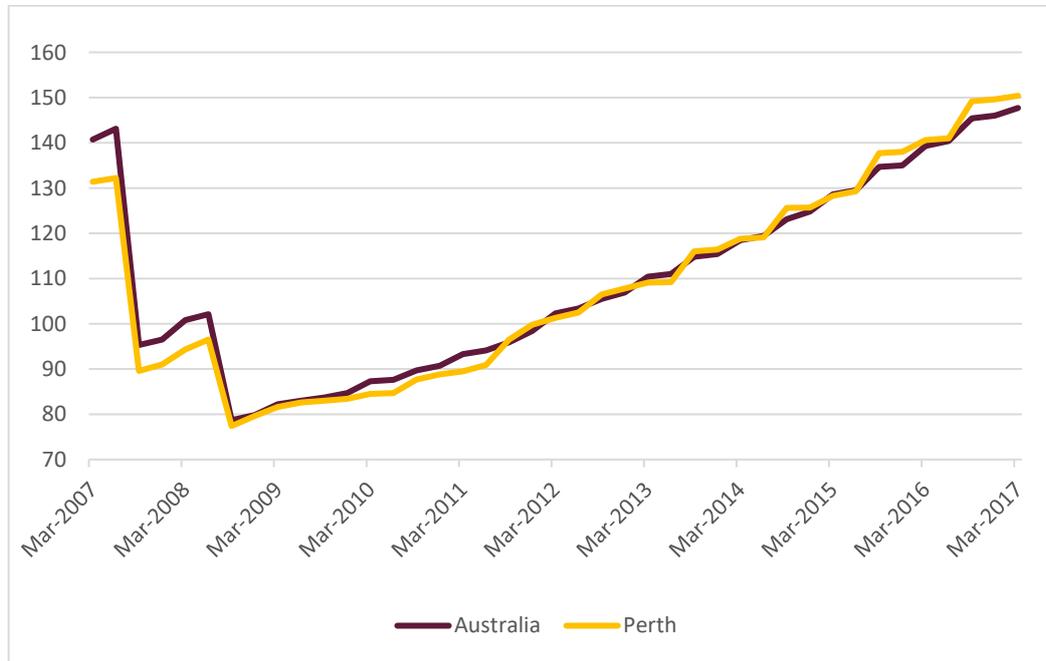
⁵² Ibid.

⁵³ ABS (2014) *6220.0 - Persons Not in the Labour Force, Australia*, September 2013, 62200TS0015 Persons Not in the Labour Force, Australia - Main reason not working due to caring for children, Table 15.1

⁵⁴ Excludes those who “Prefer to look after children”; ABS (2014) *6220.0 - Persons Not in the Labour Force, Australia*, September 2013, 62200TS0015 Persons Not in the Labour Force, Australia - Main reason not working due to caring for children, Table 15.1

Almost 47 per cent of respondents identified the cost of childcare as being a reason why they were not in the labour force. As can be seen in Figure 22, CPI for childcare has continued to increase at a steep rate since 2013.

Figure 29: Child Care Consumer Price Index⁵⁵



It is evident from this information that childcare can be a significant cost of living issue for low income households.

As a result, an increase to the minimum wage that addresses this cost of living pressure is essential to promoting “equal remuneration for men and women for work of equal value.”⁵⁶

⁵⁵ ABS (2017) 6401.0 – Consumer Price Index, Australia, Mar 2017

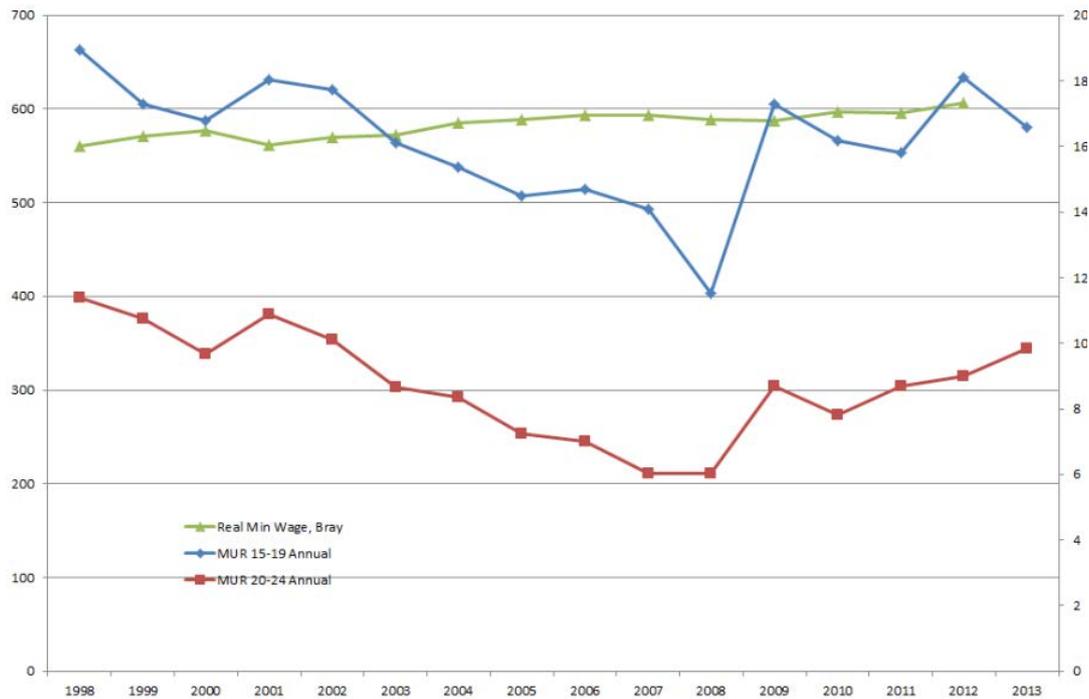
⁵⁶ Industrial Relations Act 1979 (WA) s50A (2) (vii)

7.3 Young people

The continued provisions for “junior rates” are an anachronism. It is the Council’s view that the key determinant of the wage of someone under the age of 21 should be competence, rather than age.

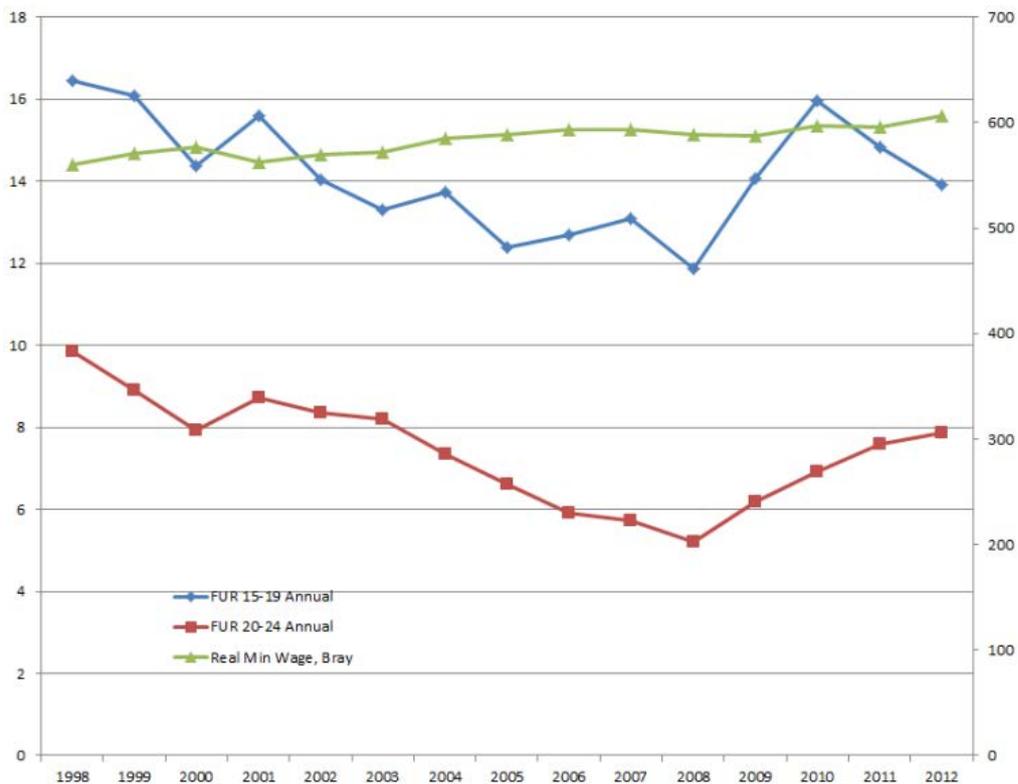
A 2014 study of youth labour markets found that there was no evident correlation between youth unemployment rates and minimum wage rises in Australia.⁵⁷

Figure 30: Male Youth Unemployment Rates and the Real Minimum Wage



⁵⁷ P Junankar (2015), 'The impact of the Global Financial Crisis on youth unemployment', *The Economic and Labour Relations Review*, vol 26, no 2

Figure 31: Female Youth Unemployment Rates and the Real Minimum Wage



While the minimum wage has seen steady increases since 1998, unemployment rates for male and female youth had been falling continuously until the Global Financial Crisis (GFC). After the GFC, youth unemployment rates increased, while the minimum wage increased slightly – disproving the assumption that youth unemployment rates increase with minimum wages.⁵⁸ This finding is also consistent with international observations that have found no significant impact of the minimum wage on youth employment.⁵⁹

Once we have moved beyond the idea that the wages paid to young workers need to be lower than those of adults to address youth unemployment, the only remaining argument that youth wages should be lower is the that their labour is somehow worth ‘less’. This clearly runs counter to the fundamental principle of ‘equal remuneration for work of equal value’ that is enshrined in our industrial relations system.

In a number of industries, such as childcare, certain levels of education and qualifications are a requirement. In the childcare industry, for example, from 1 January 2014 new national regulations required all educators in centre-based and family day care services at a minimum to hold (or be actively working towards) a Certificate III level education and care qualification. Given these requirements must be met by all childcare staff, it is inequitable for a newly-qualified Certificate III holding 19 year old staff member to be paid less than a newly-qualified Certificate III holding 21 year old staff member.

⁵⁸ Ibid.

⁵⁹ DHyslop and S Stillman, S. (2004) *Youth Minimum Wage Reform and the Labour Market*, New Zealand Treasury Working Paper 04/03, p.i; Low Pay Commission (2016) *National Minimum Wage Report* p. 119

The Council submits that the *full rate* of increase to the minimum wage must be applied to both junior and adult wage rates. To only provide a proportion of the recommended \$45 per week increase would be unfair, as it would mean that the Commission would be failing to meet the needs of the youngest and lowest paid full-time workers.

Conclusion

It is the Council's view that in order to *“ensure that Western Australians have a fair system of wages and conditions; meet the needs of the low paid; provide fair wage standards in the context of living standards generally prevailing in the community; and contribute to improved living standards for employees”*⁶⁰ the State Minimum Wage needs to be raised by \$45 per week up to the C10 level and 5.7% beyond that level for adults, junior employees, apprentices, and trainees.

Raising the State minimum wage is crucial for addressing the growth in cost of living pressures which have, over recent years, disproportionately impacted low-income individuals and households in WA. The Council has also called on the Commission to consider the positive impact raising the minimum wage would bring to improving the 'fairness' of the wage system for young people, community sector employees, women, and low-income workers in insecure work arrangements.

The inability of single persons and single parent families on the minimum wage to find affordable and appropriate housing is a clear indication that the minimum wage is not meeting the needs of the low paid.

The combination of the increases in the costs of transportation that act as a barrier to job seekers, the rising burden of utility prices, and the resulting increase in numbers of those seeking assistance and defaulting on direct debit plans also demonstrate that the wages of the lowest income earners are insufficient to meet the living standards generally prevailing in the community.

Western Australia has become a state of vast income and wealth inequality where those on low wages are struggling to get by. An increase to the state minimum wage is needed.

The changing nature of work in our society means that fewer people are able to access full-time employment to provide for themselves and their families – a trend that Western Australia is experiencing at a faster rate than the rest of Australia. It is crucial that the minimum wage is increased to support the significant numbers of workers in casualised and part-time work to maintain a basic standard of living, and by doing so ensure our labour market can respond effectively to changing conditions and emerging opportunities

The Council's modest claim of a \$45 per week increase to the state minimum wage will deliver an undeniable benefit to many of the lowest-paid workers, and their families. A strong minimum wage — one which ensures people working full-time are provided with a decent living standard, well above poverty levels — benefits individuals and their families, but also delivers benefits to the Government, the community, and the Australian economy at-large.

⁶⁰ Industrial Relations Act (1979)

State Wage Case 2017 – Additional Evidence
Western Australian Council of Social Service

The Western Australian Council of Social Service (the Council) considers the minimum wage to be a vital means of protecting low-income workers from poverty, as well as contributing to the delivery of economic benefits to the wider Western Australian community. As the peak body of the community service sector in WA, and as an advocate for low income and disadvantaged people, the Council has a particular interest in the adequacy of living standards and quality of life experienced by Western Australians living on low incomes.

WACOSS believes that an increase to the State Minimum Wage of \$45 per week up to the C10 level and 5.7% beyond that level is consistent with the need to maintain a fair system of wages and conditions in the current Western Australian context.

Changing Nature of Work

I wish to **correct** Figure 1 in our submission WA’s Underemployment Rate (Seasonally adjusted). The updated figure (Appendix 1) shows the underemployment rate and not the under-utilisation rate. This was a genuine mistake and we apologise for the error. You will see that the trend it demonstrates is consistent but the absolute values are lower.

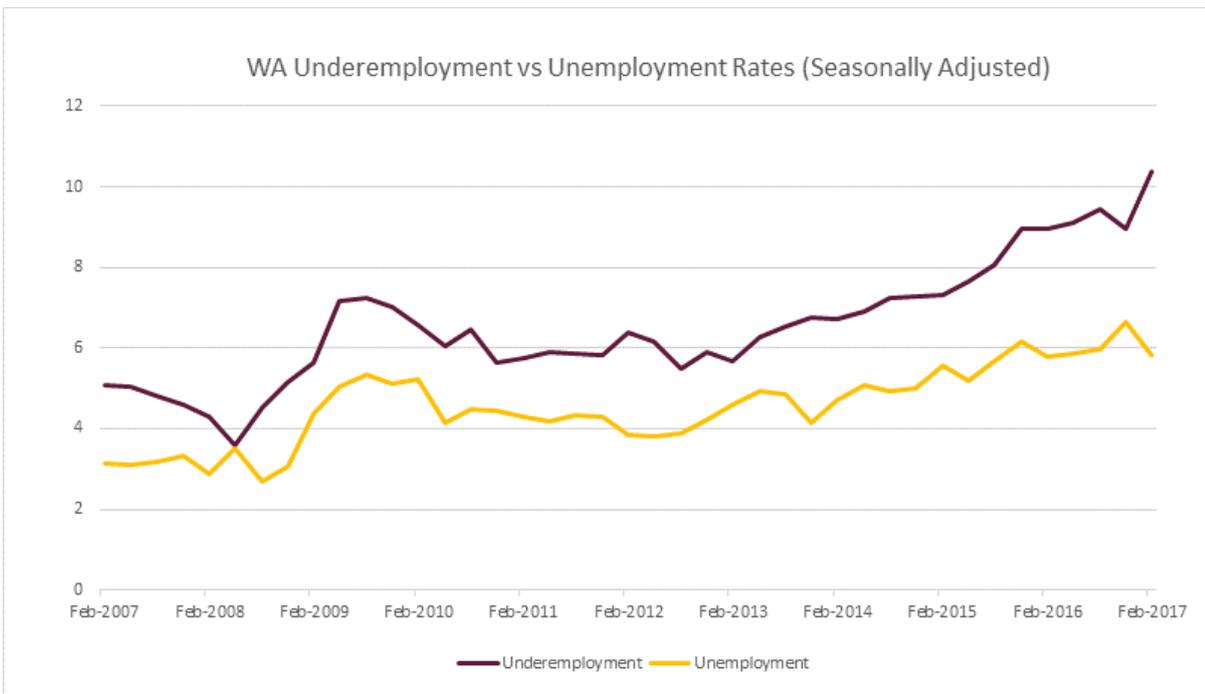


Figure A1. WA Underemployment rate 2007-2017 (corrected)

The graph has also been updated to include the latest ABS data released today (18 May 2017).

Given the rise in insecure work, unpredictable work hours and under-employment, the Council contends that the Western Australian Industrial Relations Commission should give increased consideration to the capacity of the minimum wage to provide adequate support to the significant and rising numbers of workers in these circumstances to maintain a basic standard of living, and by doing so ensure our labour market can respond effectively to changing conditions and emerging opportunities.

The Western Australian labour market has seen a shift away from full-time to part-time employment, with full-time employment growth declining since the end of the mining boom, and a rise in the part-time employment growth rate to 10 per cent as of 2016 (ss calculated by the Bankwest Curtin Economics Centre in *Back to the Future* 2016).

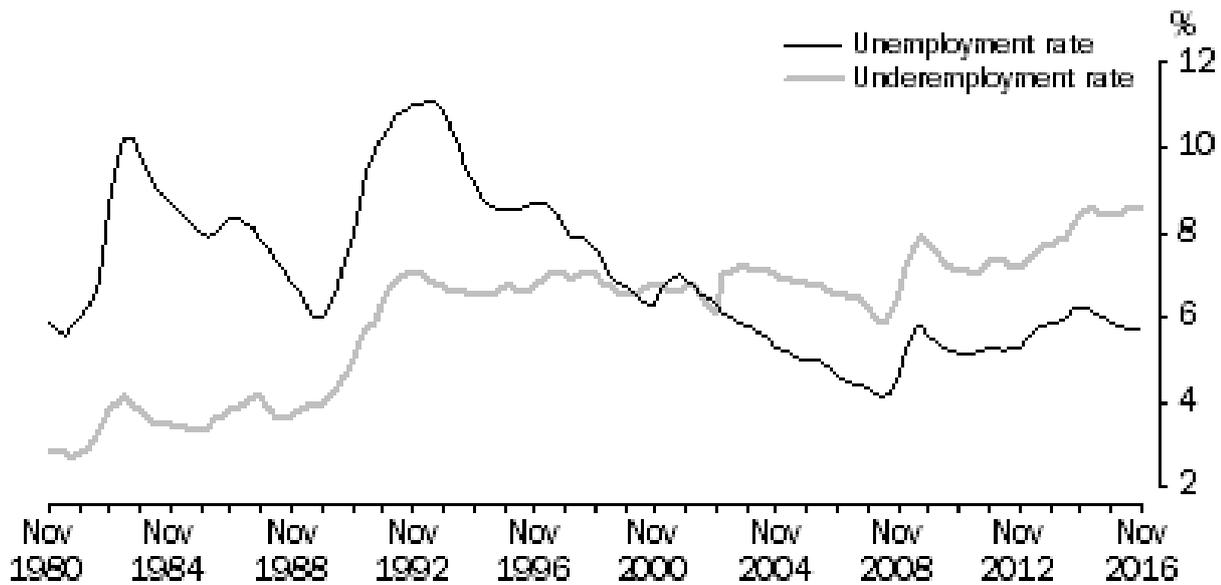
This trend has been particularly pronounced in WA's female labour force, where the growth in part-time work is outpacing the rest of Australia.

Western Australia is also seeing both a faster and greater growth in the share of casual employees than the rest of Australia, rising to 22.5 per cent in 2014.

I wish to **respond to the comments made by the Chamber of Commerce and Industry CCI** in their commentary on the WACOSS submission at point 4.5:

"The recent growth in part-time jobs and decline in number of fulltime positions in WA is largely a result of changing economic circumstance facing the State and not necessarily indicative of a longer term trend."

This statement is not correct and I submit (as attached) the recent report from the Australian Bureau of Statistics (ABS Cat 6202.0) "Spotlight on Underemployment"



Source: Labour Force, Australia (cat.no. 6202.0) Spreadsheet 22
(Contains data from February 1978 onwards).

[Figure A2. National trends in unemployment and underemployment \(ABS Cat. 6202.0\)](#)

[This graph shows the national trend from 1980 to 2016 which shows a very strong and significant trend to a much higher underemployment rate across our national economy.](#)

[The ABS said:](#)

“In recent years Australia's unemployment rate has been trending downwards while the underemployment rate has been trending upwards. This rise in the underemployment rate has led to a growing sentiment that the level of slack in Australia's labour market is not wholly represented by the unemployment rate, and that it is increasingly important to consider additional measures of labour underutilisation like the underemployment rate.

- Over past decades there have been changes in the relationship between the unemployment and underemployment rates. Prior to February 2003, the unemployment rate was higher; since then the underemployment rate has been higher.
- Since February 2015, there has been **an increasing divergence** between the rates. While the unemployment rate has decreased 0.5 percentage points to 5.7 per cent, the underemployment rate has remained at 8.5 per cent, a series high.
- **Females** have consistently represented the greater share of underemployed workers; accounting for 56.9 per cent of underemployed persons in November 2016.
- The **15-24 years** age group has consistently had the highest underemployment rate.
- The prevalence of underemployment has consistently been **greatest in the lower skilled occupation groups**, and lowest in the higher skilled groups.”

Source: [ABS Underemployment trend in Australia](#)

While local economic conditions (resources boom and bust) have clearly had an impact on overall employment outcomes across the cycle, there is very clear evidence of an underlying trend in both the Australian and other comparative economies.

We argue that during the boom part of the phase this underlying trend was masked by the level of unmet demand – hence the period 2008 to 2012 where, as CCI point out, the proportion of casual employees was lower in WA than the national average ... shows a clear indication that more workers were able to secure the ongoing employment and full-time or substantial hours that they desire ... with the sharp rise in underemployment in 2014 demonstrating a correction back to this underlying trend.

Secondly, the issue that we raised related to more than just the **balance between full-time and part-time employment** – it was very much about the impact of precarious employment, including shorter-term contracts and casualization as well as uncertain work hours because of the increasing impact of uncertain income on workers financial resilience, hence their ability to meet their basic needs and maintain a standard of living in line with general living standards prevailing in our community are reduced.

We dispute the implication by CCI (at 4.6) that **employee preference** is a significant factor in the rise of part-time work, under-employment and precarious employment. The data on under-employment rates measures directly those who cannot secure the hours of employment they *desire*. It is a direct measure of preferences that have not been met and so does not include those who want to work shorted hours

The change in the nature of employment has been very much in one direction, with the choice of flexibility in employment hours and conditions very much benefitting employers ahead of workers, and the increased risks and costs of moving in and out of employment more frequently being borne by the workers. Whether this has freed up industry to create more employment opportunities remains to be proven.

In relation to **international comparisons**, I have corresponded with the lead OECD researchers responsible for the production of these comparative statistics and expect to receive updated information later this week. While the most recent comparative report on the Employment Outlook for Australia by the OECD Division for Employment Analysis and Policy in 2016 (Appendix 2) did not provide specific analysis of underemployment, the OECD were so concerned about the comparative rise in under-employment in Australia in 2012 that they made it the primary focus of that year's report (Appendix 3).

I draw your attention to this chart of comparative unemployment and underemployment rates between Australia and the OECD weighted average. You will note that while our overall underutilisation rates are comparable, with Australia doing

slightly better than the OECD weighted average, a much greater proportion of our underutilisation is made up of underemployment, and this proportion has increased significantly during this period.

Unemployment and underemployment as a percentage of the labour force^a

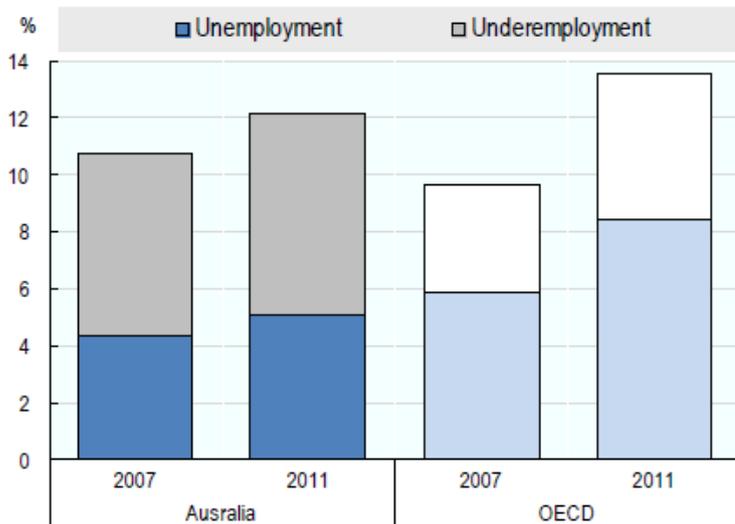


Figure A3. Unemployment and underemployment comparison to OECD

This shows the **underlying international trend** that has been exacerbated or strengthened by our **domestic policy** settings. This suggest to me that we are as a matter of policy achieving higher labour force participation rates at the expense of under-employment.

To sum up, this is a strong ongoing international trend, it is stronger in Australia as a result of domestic workforce policy, and hence it is something that the Commission needs to take into account in ensuring a fair systems of wages and conditions that are capable of meeting the living standards generally prevailing in our community for workers reliant on the minimum wage.

Income and Wealth Inequality

I note that the Gini coefficient data supplied in the WACOSS submission is in fact the most up to date data available in Australia, as it relies on the most recent ABS household survey data.

Western Australia has **the highest rate of income inequality** in Australia - as demonstrated by the Gini coefficient from the most recent ABS Survey of Income and Housing data.

Allowing the inequality within the Western Australian community to deepen, which would result from an insufficient increase to the minimum wage, will result in longer periods of less sustained economic growth.

Those on and around the minimum wage can be found predominantly within the 2nd and 3rd income quintiles. The 4th and 5th quintiles hold 83.4 per cent of household net wealth in Western Australia.

The relationship between income and (largely non-discretionary) expenditure means that every extra dollar a low-wage worker earns is more than likely to end up boosting demand for goods and services, with those on the lowest incomes spending a proportionally higher amount of their earnings.

Women and Gender Wage Inequality

WACOSS wishes to clarify the argument presented in our submission in relation to why gender wage inequality matters in relation to the setting of the minimum wage.

This is an issue of great importance to us, given that 80% of the workforce of our members and our sector are women, and we have advocated clearly on their behalf in securing outcomes such as the Equal Remuneration Orders at both National and State levels.

WACOSS state quite clearly in our submission, (1) women workers are **more likely to be dependent on the minimum wage**; and (2) women are **more likely to be under-employed** (that is, offered less hours of work than they would *prefer* to be working).

This has nothing to do with levels of unpaid work undertaken by women above and beyond their participation in the workforce.

The gender wage gap is absolutely fundamental to any consideration of a fair system of wages and conditions. Further, their needs and circumstances (including the cost of childcare and demands of unpaid work) are relevant to consideration of their ability to meet appropriate living standards within our community.

I draw the commission's attention to the recent Workplace Gender Equality Agency report [Gender Equity Insights 2017: Inside Australia's Gender Pay Gap](#). There is also a summary document of [key gender pay gap statistics](#) available via GWEA.

WA has by far the highest gender pay gap of any state (**23.9%** ahead of the national average of 16%).

Award wages play a key role in reducing this gap, with the gender pay gap 13.1% for those on award wages or a collective agreement, versus 19.1% for those on individual agreements.

WACOSS notes that the report states:

“Differences in the gender pay gap across the states and territories may be *partly* explained by variations in the composition of the workforce and industry profiles of each state and territory. For example, the Western Australian full-time workforce has higher concentrations of employment in construction and manufacturing, where men represent the majority of employees and there are relatively high gender pay gaps.”

Poverty and Financial Resilience

The WACOSS submission made reference to the **standard 50% poverty line**. This is not (as CCI suggest) an *arbitrary* measure of poverty, this is the international standard. It is the standard adopted by the ABS, by the OECD, and the European Union.

For instance, the ABS says:

“The economic circumstances of people living in low income households are of concern as they are often at risk of experiencing financial hardship. As income is a major resource people rely on to meet their basic living costs, it is often used in analysis to identify people living in poverty.

Poverty measures are generally based on a percentage of the median income of the population as a whole. Two commonly used measures, in international poverty studies, are to identify people as living in poverty as households with income below either 50% or 60% of the median income for all households.” (ABS Cat. 6263.0)

WACOSS notes there are three established types of poverty measures – relative income poverty (as above), relative deprivation (access to goods and services and living standards relative to community standards) and subjective poverty measures (individuals perceptions of themselves as ‘poor’. Additionally there are also measures of financial stress and resilience (see Figure 12 WACOSS submission). Relative income poverty measures are considered the most statistically reliable, while deprivation measures are very informative, they are difficult and expensive to collect. Other poverty measures are under development, as the Australian government has invested \$9.5m over four years to develop the [Individual Deprivation Measure](#) IDM Index.

The figures WACOSS referenced came from the *2016 Poverty in Australia Report* by the Social Policy Research Centre at UNSW, commissioned by ACOSS. The 50% poverty line is derived from a benchmark estimate of national median equivalised income, as well as excluding those who report as having zero or negative income, and deducting housing costs from income. On this basis, SPRC calculated that there are nearly 240,000 Western

Australians in poverty. This is a *conservative* estimate. Analysis by Bankwest Curtin Economic Centre presented at the WACOSS Poverty Week Forum in 2016 using state median equivalised income suggests that in direct comparison to living standards within the Western Australian community (as below).

Figure A4. Poverty rates using state-specific median incomes

State	Median equivalised disposable incomes by state/territory and year as a share of national median (%)						National poverty line	State poverty line
	2003-04	2005-06	2007-08	2009-10	2011-12	2013-14		
New South Wales	103%	99%	96%	98%	99%	99%	16.6%	16.6%
Victoria	103%	100%	104%	100%	97%	102%	16.6%	15.9%
Queensland	95%	100%	102%	98%	99%	96%	16.0%	14.6%
South Australia	95%	95%	95%	98%	92%	92%	14.9%	12.2%
Western Australia	99%	103%	108%	106%	112%	111%	14.1%	17.6%
Tasmania	92%	92%	86%	89%	89%	90%	16.7%	11.9%
ACT/NT	127%	134%	130%	138%	133%	135%	10.2%	15.8%

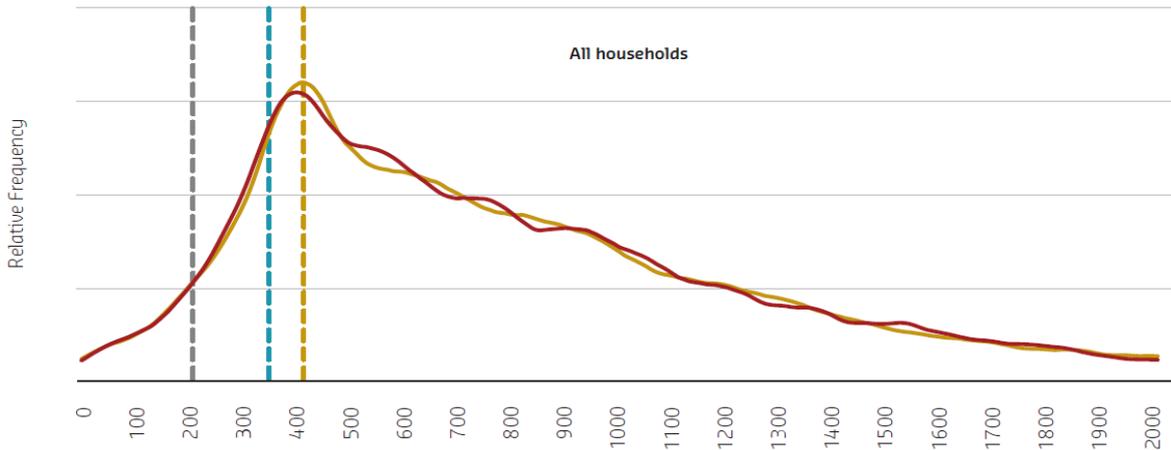
Source: Bankwest Curtin Economic Centre, Poverty Week Presentation, October 2016

In his Poverty Week presentation in 2016, Professor Alan Duncan (BCEC Director) pointed out that WA's poverty rate rises from **14% to 17.6%** (that is, approx. 300,000 West Australians living in poverty) when state median equivalised disposable incomes are taken into account. He concluded that: *"While Perth ranks only sixth across all state capitals on standard poverty measure, it rises to second place when ranked in terms of severe poverty."*

Consideration of a 60% poverty line provides a good estimation of those individuals and households who are struggling to get by and at risk of financial hardship, suggesting an additional 150,000 Western Australians are at high risk.

Included below is the distribution of equivalised incomes showing the 60% (yellow – at risk) 50% (blue – in poverty) and 30% (grey – extreme poverty) poverty lines.

Figure A5. Distribution of equivalised incomes and poverty lines.



Source: Bankwest Curtin Economic Centre, Poverty Week Presentation, October 2016

Poverty is a well-established social determinant of health, including psychological health. Persistent poverty plays a demonstrable role in increasing levels of psychological distress (Figure 11 in our submission).

Poverty also places people’s **financial resilience** under significant pressure. As defined in a 2016 report by the Centre for Social Impact:

*Financial resilience is the ability to access and draw on internal capabilities and appropriate, acceptable and accessible external resources and supports in times of financial adversity.*⁶¹

On a scale of 1 to 4, with 1 being severe financial stress and 4 being financial security, Australia has an overall financial resilience mean of 3.06. WA, however, not only has a lower level of financial resilience than the overall mean, but in fact has the second lowest level out of every state and territory (Figure 12 in our submission).

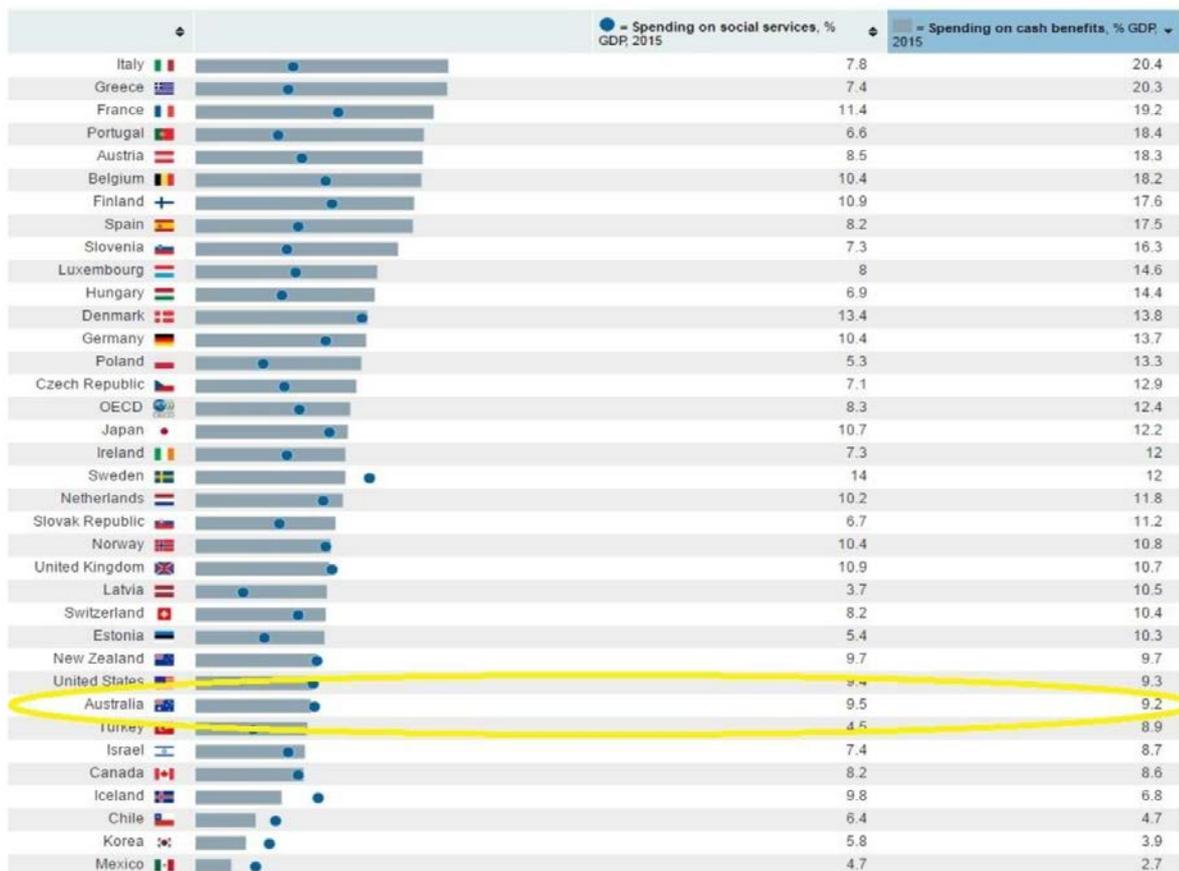
Poor financial resilience for low income households can mean that just one emergency or crisis, such as crises related to their health, employment or living situation, could find them facing severe financial shock and becoming over-indebted. Financial resilience also provides an indication of a household’s workforce responsiveness. Those who are unable to draw upon resources and supports in a time of financial adversity, have a lower capacity to weather periods of unemployment or underemployment, or to have enough financial independence to be able to effectively seek a new job.

Financial resilience is a critical consideration for the increasing numbers of workers in casual, insecure and **precarious employment**. It directly effects their capacity to

⁶¹ Centre for Social Impact, *Financial Resilience in Australia*, August 2016

manage the financial shocks and challenges associated with moving in and out of employment, and to bridge gaps between when work commences and ceases and income or income support is received. Australia’s social security system has become increasingly unsuited to the changing nature of employment within our community, levels of income support for the unemployed have fallen in real terms over the last decade and are at some of the **lowest levels** in comparable developed nations (contrary to the claims of CCI at 4.10).

Figure A6. Social service spending vs GDP in OECD countries.



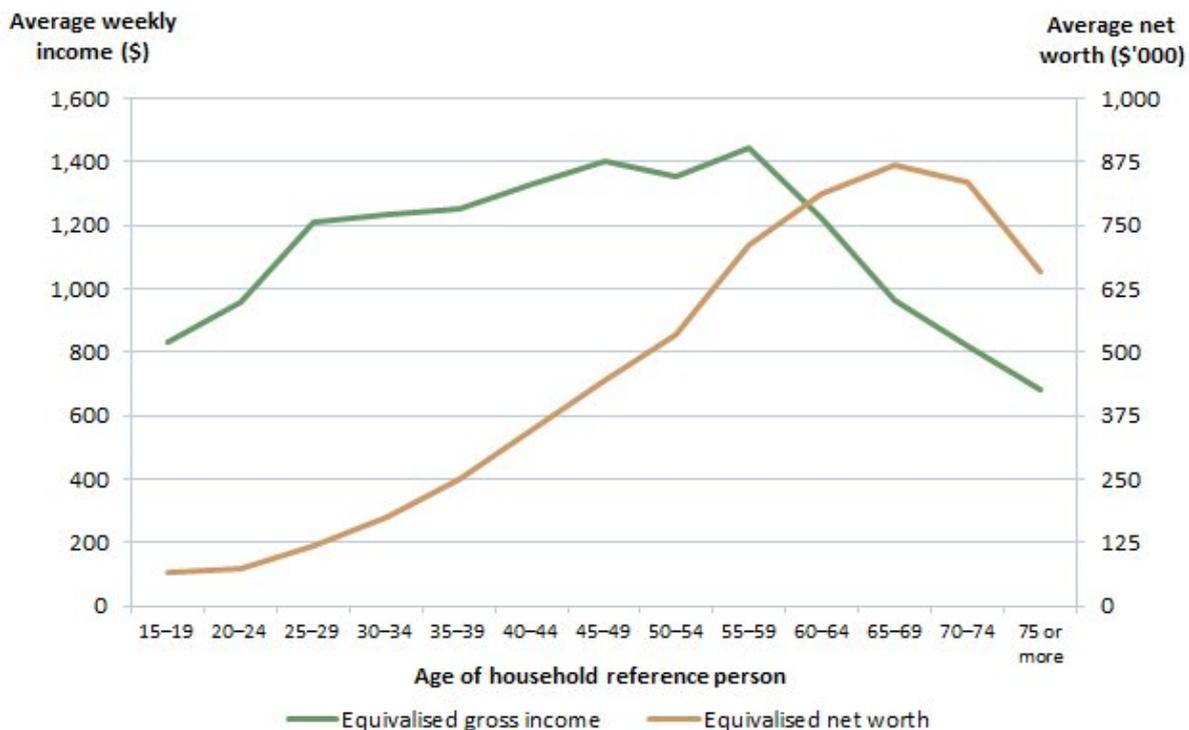
Graph from the OECD: <http://www.oecd.org/social/expenditure.htm>

Australia’s spending on income support is low by international standards. We spent 9.2% of GDP in 2015 in cash benefits compared to an OECD average of 12.4%. Our system is more targeted to those on lower incomes with less support provided to low wage working families and more to the unemployed ([ACOSS Snapshot: Social Security in Australia 2017](#)).

We note that income plays a more critical role in the financial resilience of **younger workers**, due to their lack of other sources of wealth, as demonstrated in the figure below. Hence a fair and decent wage for young workers is of fundamental importance to their ability to achieve or maintain a decent standard of living.

Figure A7. Equivalised household income and wealth (ABS Cat.6323.0)

Graph 2 ALL HOUSEHOLDS, Equivalised household income & wealth, 2013-14



Cost of Living

The ability of low-income households in WA to achieve a basic standard of living is the focus of the Western Australian Council of Social Service’s (the Council’s) *Cost of Living Report*, which has been produced annually since 2007. This report models three low-income households, and examines the adequacy of their income to enable them to afford a **basic standard of living** during the previous financial year. We have included information from it in our written submission for illustrative purposes and note that it *does not* include costs for health or home and contents insurance, and the model *does not* provide for any spending on items such as birthday presents, school excursions or other “non-essential” items. These are all items that surveys of community standards and expectations (which provide what are called deprivation measures of poverty) indicate are considered essential living costs.

I note that in their comments on the WACOSS submission, CCI says (at 4.18) we make reference to increases in **household fees and charges** “..without consideration of

changes in pricing with respect to other expenses” ... saying that “...caution needs to be taken in **unpacking CPI**, which is currently the most reliable measure for determining inflation.”

The issue under consideration is not inflation, it is the capacity of minimum wage workers to maintain acceptable living standards given the balance between cost of living increases and wages.

The point is quite a clear one. Households on lower incomes are *more sensitive* to the impact of rises of the costs of essential goods and services because they spend a much higher proportion of their disposable income on the basics of life – Hence CPI, which looks at costs as a whole across the economy, does not provide a good indication of the impacts of inflation on their living costs. This is why we have continued to do this work – to provide clear evidence to governments about these impacts.

The evidence is very clear that essential household fees and charges have risen much faster than other goods and services that make up the CPI basket ... and hence these households are feeling a disproportionate impact.. While those other discretionary or ‘luxury’ items included in CPI that continue to come down in cost (like flat screen TVs or overseas holidays) are things that these households buy less of and hence do not see the benefit of their becoming cheaper...

While the modelling for the Single Parent and Working Family showed some improvement from the previous year, it is important to note that the small surplus in their earnings makes little allowance for saving, further training to improve employment prospects or to enable the family to be able to respond to an unexpected cost or crisis (if the fridge or car breaks down).

Rental Affordability

WACOSS draws the attention of the WAIRC to the release of the report [*Housing supply responsiveness in Australia: Distribution, drivers and institutional settings*](#) today by the Australian Housing and Urban Research Institute (AHURI).

The report’s chief author, Professor Rachel Ong from Curtin University reported:

"In certain capital cities housing supply is actually outpacing population growth, however in some other capital cities, like Sydney and Perth, we're finding that housing supply is not able to keep up with the population growth rates."

The report also found an increase in supply was not leading to better housing affordability:

"Most new housing supply is concentrated in middle to high-concentrated segments.

We'd normally expect to see a trickle-down effect, where building higher-value homes leads to the opening up of lower-value homes for those on lower incomes, but our research indicates that isn't the case.

Unfortunately, what that means is that between 2006 and 2014 ... less than 1 per cent of new housing supply has been delivered to the lowest price decile in the housing market.

This highlights very clearly the absence of affordable housing for households reliant on the minimum wage.

The report concludes that:

"Most of the growth in housing supply has been taking place in mid-to-high price segments, rather than low price segments. There seems to be structural impediments to the trickle-down of new housing supply. Targeted government intervention might be needed in order to ensure an adequate supply of affordable housing."

On average, rent continues to make up around a third of weekly expenditure for low income households. While we often hear about the drop in WA's rental prices, the discrepancy between median rents and the lived experience of those on low incomes is what makes research such as the annual *Anglicare Rental Affordability Snapshot* so valuable.

Anglicare's 2017 report showed improvements for couples who were on the minimum wage and receiving family tax benefits.

However, the report showed that for single parents on the minimum wage and singles without children, the rental market remains unaffordable.

For a single parent of two children on the minimum wage and receiving Family Tax Benefit Part A and B, their options are even fewer, with only 764 properties affordable and appropriate or *only 6.1 per cent* of those advertised. A single on the minimum wage earner would only be able to find 124 or *just 1 per cent* of rental properties advertised that were affordable and appropriate, which includes boarding houses or renting a room in a share house.

A minimum wage that is only able to cover rental expenses when you have a second source of income and are receiving tax benefits, is not an adequate minimum wage.

It is crucial that the minimum wage is able to meet the living costs of single parents and singles without children.

It is also important to consider the adequacy of the minimum wage for those living in regional areas. A single on the minimum wage in the Southwest and Great Southern would only be able to find 27 properties being advertised that were affordable and appropriate, while in the Northwest they would only be able to find 13. ((Noting it is highly likely that in the entire Northwest there are more than 13 single people on the minimum wage).

The Housing Affordability Report 2016: *Keeping a roof over our heads* by the Bankwest Curtin Economic Centre concluded:

“This report shows that measures of severe housing stress have increased more for renters in WA than the rest of Australia. While most key workers have seen an increase, from 2013 to 2015, in the number of suburbs in which they can rent an affordable dwelling, the same cannot be said for those on the minimum wage. It remains the case that there are no affordable one-bedroom rental properties for an adult award wage holder. Many pockets of the population are still vulnerable to housing stress, including single parents, and excess demand for public housing in WA has not eased over the years.” (p.vi)

It went on to report that:

“Low income WA households who rely either on award wages or government payments struggle to keep pace with rising rents on properties at the lower end of the market.” (p. vii)

In particular:

“WA households in the bottom two income quintiles, many of whom rely either on award wages or government payments as their principle source of income, struggle to keep pace with rising rents on properties at the lower end of the market. In Perth, the median rent paid by those on low incomes has risen by some 12 per cent in real terms since 2011-12, with no commensurate rise in real incomes. These findings are consistent with the evidence from Anglicare’s 2016 Rental Affordability Snapshot, which shows a significant shortage of new rental properties coming onto the market at affordable prices for key workers and low income households.” (p. 4)

It highlighted the plight of single workers on the minimum wage who are unable to secure affordable housing:

“Table 20 shows that an individual on the adult award wage of \$34,200 a year cannot afford to rent a one-bedroom unit in the Perth metropolitan area, despite targeting the lower quartile of the market. This finding is consistent with the outcomes in the previous report and demonstrates that although changes to the rental market have benefited many, it has not changed the availability of affordable housing options for all.” (p.65)

Transport

Low-income households are more likely to live in the outer and fringe areas of Perth, where rental and housing costs are lower. A 2014 analysis by Anglicare of their rental affordability snapshot data demonstrated the pushing out of affordability of renting for minimum wage earners to the outer suburbs of Perth.

With those in outer suburbs either having to take long commutes by public transport or are in areas with little option other than driving, transportation costs take a proportionally larger bite out of earnings of people on low incomes.

The *2016-17 State Budget* saw an increase in motor vehicle fees and charges of \$104.13 or 14.91 per cent. Public transport fees for those not on a concession rose by \$18.20 or 2.07 per cent.

A 2016 survey from the report *Energy Poverty in Australia*, conducted by Bankwest Curtin Economics Centre found that those on low incomes:

were often forced to buy cheap, older, higher fuel consumption cars and might drive rather than walk in order to take advantage of lower priced food, for example, even when a closer (but more expensive option) existed.⁶²

The cost of transport fuel was also found to have an impact on low-income earner's job search and employment decisions, with nearly one quarter of respondents in the lowest income bracket indicating that concerns over the cost of getting to an interview had affected their decision whether or not to attend.

Utilities

Difficulties in paying utility bills provide significant insight into the financial state of low-income households in our community.

Having to pay a utility bill can necessitate a choice between avoiding homelessness or purchasing food for the family versus retaining light and a running fridge or heating/cooling for their home. As a result, low-income earners may be forced to forsake services, such as water or electricity, which are essential to maintaining a reasonable standard of living in order to feed themselves, or to keep a roof over their head.

⁶² Bankwest Curtin Economics Centre (2016) *Energy Poverty in Western Australia: A Comparative Analysis of Drivers and Effects*. BCEC Research Report No. 2/16, p 284

2015-16 saw a significant increase in electricity and gas customers seeking assistance from their energy retailer, and a rise in direct debit terminations due to default. In electricity, *11 per cent* or more than one in ten residential customers were granted more time to pay a bill (payment extension), up from 8.7 per cent in 2014-15, with the proportion of residential electricity customers on instalment plans reaching a six-year peak in 2015-16 at *4.7 per cent* or nearly one in five.

Retailers are required to keep records of the number of direct debit plans they have terminated as a result of default (that is, non-payment in two or more successive payment periods). The last financial year saw a dramatic increase for electricity and gas in the number of direct debit cancellations due to non-payment, rising from 8,878 to 12,870. – an increase of around 45%.

In their annual performance report of energy retailers, the Economic Regulation Authority directly quoted Synergy as explaining:

2015-16 was a difficult year for residential customers, with increasing demands on their disposable income due to a decline in economic conditions.

The pressure on living costs from energy prices is not expected to decrease. Forecasts show continued steep rises in electricity prices over the next year.

Rental households were dramatically less likely to be insulated, meaning that those on low incomes were more likely to be using more power to regulate the temperature in their dwelling.

The Hardship Utility Grant Scheme (HUGS) provides financial assistance to those in financial hardship in order to pay their utility bills. An average of 55 people a day applied for HUGS over the last financial year, with approximately 10,000 Synergy customers referred to HUGS in 2015/16.⁶³

The Financial Counselling Network, which regularly assists those struggling to pay their utility bills, estimates that, as a result of rising demand and insufficient resourcing, they will turn away over 6,000 clients during this year who contact the service wanting to make an appointment.

Information provided to WACOSS by the financial counselling and emergency relief sectors indicate that 99% of households in extreme financial hardship will be unable to re-pay their electricity debts. The energy consumption of this type of household is on average twice as high as the median account due to being unable to afford to invest in

⁶³ J Kelly (2016) 'Chill hits power bill' *The Sunday Times*, 28 Aug 2016, p 11

energy saving infrastructure or appliances, as well as being more likely to live in energy inefficient housing without insulation.

As those households on average or better wages who own their own home are increasingly investing in solar energy and battery storage systems to reduce their electricity costs, fixed and network charges will continue to rise to maintain network profitability, resulting in an increased impost on those on lower incomes and in rental properties who have neither the means nor the choice to invest in photovoltaics, insulation or efficient new appliances.

The rising cost of energy in Western Australia is clearly outpacing the ability of those on low incomes to be able to pay for it. **A rise in the minimum wage is essential so that those on low incomes are able to cover their power bills and maintain their living standards.**

Conclusion

Raising the State minimum wage is crucial for addressing the growth in cost of living pressures which have, over recent years, disproportionately impacted low-income individuals and households in WA.

The inability of single persons and single parent families on the minimum wage to find affordable and appropriate housing is a clear indication that the minimum wage is not meeting the needs of the low paid.

The combination of the increases in the costs of transportation that act as a barrier to job seekers, the rising burden of utility prices, and the resulting increase in numbers of those seeking assistance and defaulting on direct debit plans also demonstrate that the wages of the lowest income earners are insufficient to meet the living standards generally prevailing in the community.

Western Australia has become a state of vast income and wealth inequality where those on low wages are struggling to get by. An increase to the state minimum wage is needed.

The changing nature of work in our society means that fewer people are able to access full-time employment to provide for themselves and their families – a trend that Western Australia is experiencing at a faster rate than the rest of Australia. It is crucial that the minimum wage is increased to support the significant numbers of workers in casualised and part-time work to maintain a basic standard of living, and by doing so

ensure our labour market can respond effectively to changing conditions and emerging opportunities.

On notice – UK Low Pay Commission and quantum effect

I drew the Commission’s attention to the findings of the Commission’s [2016 National Minimum Wages Report](#) reported on page 8 of our Submission:

The Low Pay Commission in the United Kingdom continues to report that the research it has conducted over the last 15 years has demonstrated that increases in the minimum wage in the UK have had no significant effect on employment or hours at an aggregate level.

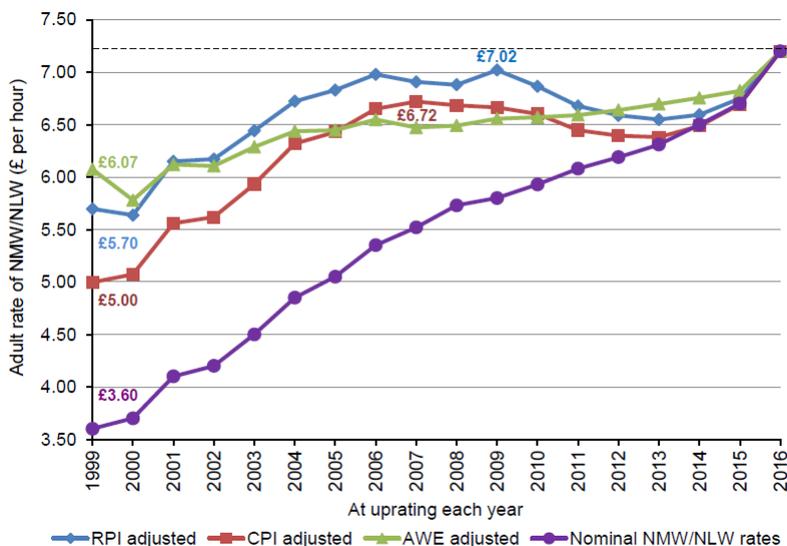
The Commission suggested that the extent of wider impact on employment levels or hours is likely to depend on the quantum of those increases, referring to evidence in previous years by a Professor Barrett.

Analysis of the increase in the UK minimum wage relative to CPI and AWE can be found on page 58 of the report (see Figure A8 below). The report states that:

Looking across its lifetime, the first nine years of the adult rate of the NMW were characterised by significant rises in its real value (in 2016 prices), reaching a peak value in 2007 adjusted for CPI (£6.72), and 2009 adjusted for RPI (£7.02). Over the same period, there was a gradual increase in its relative value, as its level rose faster than that of median earnings

Figure A8. Relative value of the UK national minimum wage

Figure 2.3: Real and relative value of the NMW/NLW, UK, 1999-2016



The impact of the UK minimum wage on employment and hours is discussed on page 83 of the report. It says:

We have previously concluded from the research over the last 15 years that the increases in the minimum wage in the UK have not had significant effects on employment or hours, at an aggregate level. That view was based on our judgement of the research findings. An alternative approach to summarising the evidence was carried out by RAND Europe (2016) which conducted a meta-analysis (a study of studies) of the existing UK literature on the effect of the NMW on employment, hours and job retention rates. It found no evidence of a publication bias in the UK literature, and, in line with our previous assessments of the impact of the NMW, found no evidence of a genuine adverse employment effect when looking at the impact of minimum wages on overall employment, hours or employment retention rates.

The reference for the RAND report is:

RAND Europe, 2016. *The Impact of the National Minimum Wage on Employment: A Meta-analysis*. Research Report for the Low Pay Commission. October. (RAND Europe.)

APPENDIX 1.

ABS: SPOTLIGHT ON UNDEREMPLOYMENT

ABC Cat. 6202.0 - Labour Force, Australia (Nov 2016, updated 12 April 2017)

INTRODUCTION

In recent years Australia's unemployment rate has been trending downwards while the underemployment rate has been trending upwards. This rise in the underemployment rate has led to a growing sentiment that the level of slack in Australia's labour market is not wholly represented by the unemployment rate, and that it is increasingly important to consider additional measures of labour underutilisation like the underemployment rate.

The ABS has been producing underemployment statistics since the 1980s. This spotlight highlights some of the key trends in underemployment, including its relationship with unemployment, and the groups with the highest rates of underemployment.

In summary, it shows that:

- Over past decades there have been changes in the relationship between the unemployment and underemployment rates. Prior to February 2003, the unemployment rate was higher; since then the underemployment rate has been higher.
- Since February 2015, there has been an increasing divergence between the rates. While the unemployment rate has decreased 0.5 percentage points to 5.7 per cent, the underemployment rate has remained at 8.5 per cent, a series high.
- Females have consistently represented the greater share of underemployed workers; accounting for 56.9 per cent of underemployed persons in November 2016.
- The 15-24 years age group has consistently had the highest underemployment rate.
- The prevalence of underemployment has consistently been greatest in the lower skilled occupation groups, and lowest in the higher skilled groups.

Future spotlights will explore underemployment statistics in more detail, and present trends by industry, state and territory, and a range of other characteristics.

All data in this spotlight are trend series, unless otherwise noted.

WHAT IS UNDEREMPLOYMENT?

The International Labour Organization (ILO) defines underemployment as the underutilisation of the productive capacity of the employed population. The concept is part of the framework for measuring the labour force, with the underemployed being those in the employed population who are willing and available to work more.

The ABS uses a time-related definition for underemployment, and currently categorises people as underemployed if they belong to either of the following two groups:

- People employed part time who wanted to work more hours and were available to start work with more hours, either in the reference week or in the four weeks subsequent to the survey; or
- People who are usually employed full time but who actually worked part time hours in the reference week for economic reasons.

From an economic perspective, underemployment reflects underutilised productive capacity. At an individual and household level it represents lost opportunities for people to engage more fully in work and derive their desired financial and personal benefits.

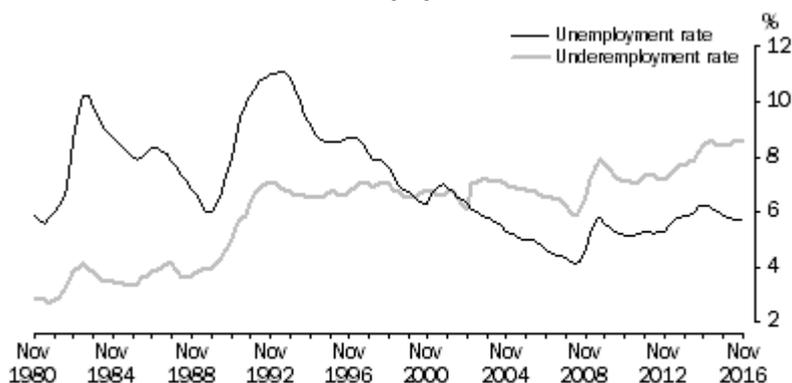
UNEMPLOYMENT AND UNDEREMPLOYMENT

The underemployment rate has generally been increasing over the past 30 years. It has generally risen during periods of weakness in the labour market, and has generally fallen or plateaued as conditions have improved.

Around the economic downturn in the early 1990s, the unemployment rate increased from 6.2 per cent in February 1990 to 11.0 per cent in February 1993, while the underemployment rate increased from 4.1 per cent to 7.0 per cent. By August 1995, the unemployment rate had fallen by 2.6 percentage points, while the underemployment rate decreased by just 0.3 percentage points. Since the downturn in the early 1990s, the underemployment rate has not fallen below 5.9 per cent, while the unemployment rate decreased to as low as 4.1 per cent in early 2008. Over the past decade, there have been further changes in the relationship between the unemployment and underemployment rates.

Since February 2015, there has been an increasing divergence between the rates. While the unemployment rate has decreased 0.5 percentage points to 5.7 per cent, the underemployment rate has remained at 8.5 per cent, a series high.

Graph 1, Unemployment and Underemployment rate, November 1980 to November 2016



Source: Labour Force, Australia (cat.no. 6202.0) Spreadsheet 22 (Contains data from February 1978 onwards).

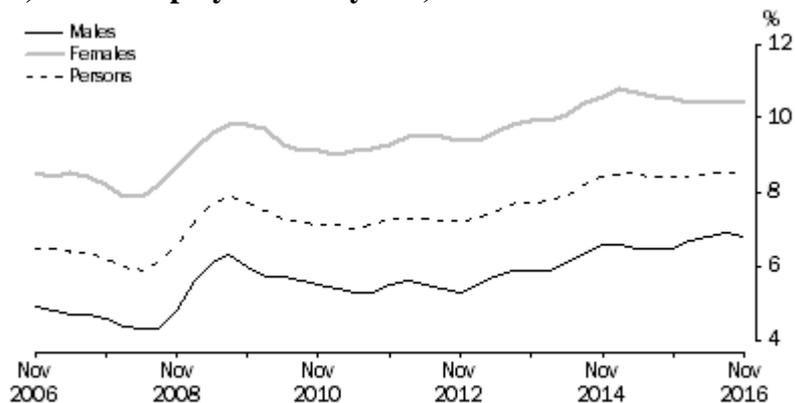
UNDEREMPLOYMENT BY SEX

Females have consistently represented the greater share of underemployed workers; accounting for 56.9 per cent of underemployed persons in November 2016.

The underemployment rate for females in November 2016 was 10.4 per cent, considerably higher than the 6.8 per cent for males. This in part reflects the higher proportion of females who are employed part-time (68.2 per cent in November 2016), compared with males (31.8 per cent).

Both the female and male underemployment rates have generally increased since 2011, after falling in the immediate period after the Global Financial Crisis.

Graph 2, Underemployed rate by Sex, November 2006 to November 2016



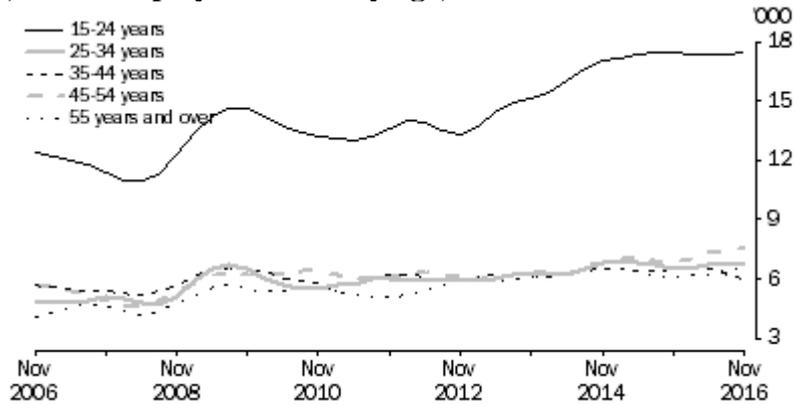
Source: Labour Force, Australia (cat.no. 6202.0) Spreadsheet 22.

UNDEREMPLOYMENT BY AGE

The 15-24 years age group has consistently had the highest underemployment rate, which, after falling to 11.0 per cent in May 2008 increased by 6.4 percentage points to 17.4 per cent in November 2016. Further analysis of younger underemployed people by their participation in education will be presented in a future spotlight, including a focus on 15-19 and 20-24 year olds.

While the rates are relatively similar for the other age groups, when compared against that of the 15-24 year olds, the rates for the 45-54 year olds and 55 years and over have been trending upwards in recent years. These two older age groups accounted for around 40 per cent of total employment in November 2016.

Graph 3, Underemployment rate by age, November 2006 to November 2016

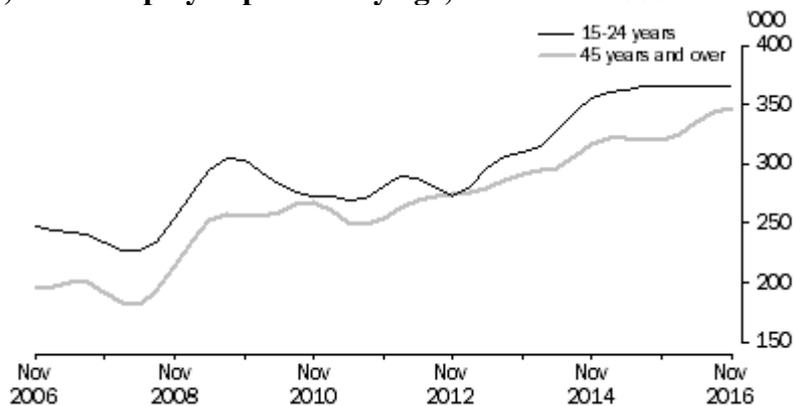


Source: Labour Force, Australia (cat.no. 6202.0) Spreadsheet 22.

The number of people underemployed in the 15-24 year age group and the 45 years and over age group accounted for around 712,200 (or 66.1 per cent) of approximately 1.1 million underemployed people. Their combined share of underemployment was greater than their share of total employment, which was around 55.0 per cent in November 2016.

Between February 2016 and November 2016, the number of underemployed in the 45 years and over group increased by 22,000 people, while the 15-24 year age group remained steady.

Graph 4, underemployed persons by age, November 2006 to November 2016



Source: Labour Force, Australia (cat.no. 6202.0) Spreadsheet 22.

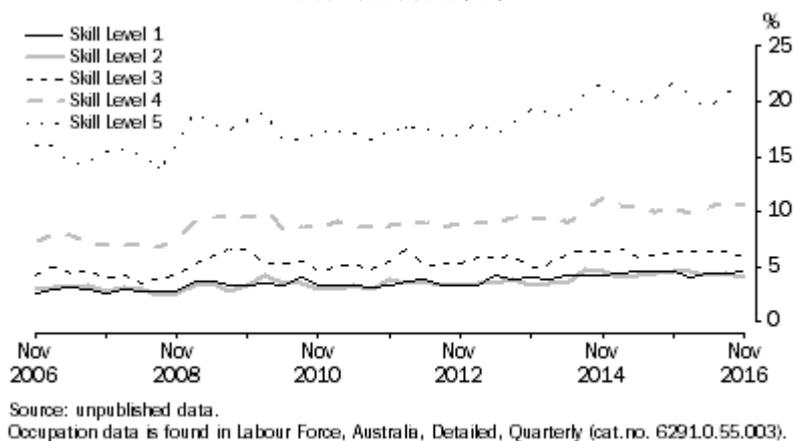
UNDEREMPLOYMENT BY OCCUPATION SKILL LEVEL

The Australian and New Zealand Standard Classification of Occupation (ANZSCO) categorises occupation skill into 5 levels. Skill level 1 is the highest and commensurate with a bachelor degree or higher, while skill level 5 is the lowest and commensurate with a Certificate I or compulsory secondary education. Please refer to *Appendix - Skill Level Groups* for more information.

The prevalence of underemployment has consistently been greatest in the lower skilled

occupation groups, and lowest in the higher skilled groups. Between November 2006 and November 2016, Skill level 5 occupations (which account for around 20.9 per cent of total employment) saw the greatest rise in underemployment, in part also reflecting the rise in youth underemployment, which increased by 5.1 percentage points to 21.1 per cent. In contrast, the underemployment ratio for Skill level 1 (which account for around 4.4 per cent of total employment) only rose by 2.1 percentage points over the period, to 4.6 per cent.

Graph 5, Underemployment ratio by Occupation skill level, November 2006 to November 2016



The Australian and New Zealand Standard Classification of Occupation (ANZSCO) groups with the highest underemployment rates in November 2016 were Sales Workers (19.0 per cent), Labourers (17.9 per cent) and Community and Personal Service Workers (17.4 per cent). Managers had the lowest underemployment rate, at 2.5 per cent.

Between these were Professionals (5.1 per cent), Technicians and Trades Worker (6.0 per cent), Clerical and Administrative Workers (6.7 per cent) and Machinery Operators and Drivers (8.1 per cent), all of whom had underemployment rates considerably below the lower skilled occupation groups.

FUTURE SPOTLIGHTS

Future spotlights are expected to be released in 2017. These will further explore underemployment statistics by industry, state and territory, and a range of other characteristics. The ABS welcomes feedback on the usefulness of this spotlight at <labourforce@abs.gov.au>.

APPENDIX - SKILL LEVEL GROUPS

SKILL LEVEL 1

Occupations at Skill Level 1 have a level of skill commensurate with a bachelor degree or higher qualification. At least five years of relevant experience may substitute for the formal qualification. In some instances relevant experience and/or on-the-job training

may be required in addition to the formal qualification.

SKILL LEVEL 2

Occupations at Skill Level 2 have a level of skill commensurate with an Associate Degree, Advanced Diploma or Diploma. At least three years of relevant experience may substitute for the formal qualifications listed above. In some instances relevant experience and/or on-the-job training may be required in addition to the formal qualification.

SKILL LEVEL 3

Occupations at Skill Level 3 have a level of skill commensurate with Certificate IV or Certificate III including at least two years of on-the-job training. At least three years of relevant experience may substitute for the formal qualifications listed above. In some instances relevant experience and/or on-the-job training may be required in addition to the formal qualification.

SKILL LEVEL 4

Occupations at Skill Level 4 have a level of skill commensurate with Certificate II or III. At least one year of relevant experience may substitute for the formal qualifications listed above. In some instances relevant experience may be required in addition to the formal qualification.

SKILL LEVEL 5

Occupations at Skill Level 5 have a level of skill commensurate with Certificate I or compulsory secondary education. For some occupations a short period of on-the-job training may be required in addition to or instead of the formal qualification. In some instances, no formal qualification or on-the-job training may be required.

This page last updated 12 April 2017

Link to [ABS Report](#)



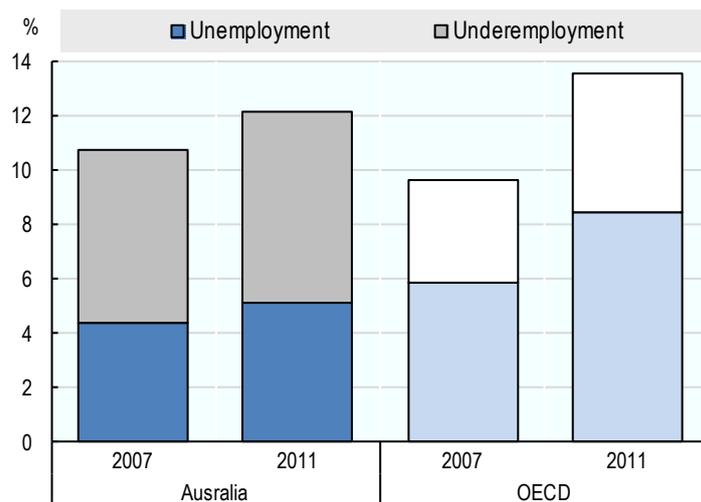
OECD Employment Outlook 2012

How does Australia compare?

Australia's labour market continues to perform well in comparison with other major developed countries. The unemployment rate, at 5.1% in May 2012, is among the lowest in the OECD. By contrast, nine OECD countries had double-digit unemployment rates, including Greece and Spain where more than one in five of the labour force are unemployed. Structural unemployment, as measured by the non-accelerating inflation rate of unemployment or NAIRU, is largely unchanged in Australia, whereas for the OECD as a whole it has started to edge up. There is also little evidence of growing mismatch between available job vacancies and the number of unemployed looking for work. These are promising signs that Australia seems to have weathered the global financial crisis without significant long-term labour market consequences.

Nevertheless, underemployment continues to be a significant problem, particularly for women. More than 12% of the labour force are now either unemployed or working part-time and would like to work longer hours, an increase of two percentage points since 2007. At 7.2% in the fourth quarter of 2011, Australia's rate of underemployment is much higher than the OECD average of 5.0%, so that total labour underutilisation in Australia is close to the OECD average, despite much lower unemployment. While underemployment is not as potentially damaging to workers as unemployment, it can have long-term consequences for career progression, earnings potential and retirement income. This is of particular concern as the majority of Australia's underemployed workers are women, who already suffer from lower earnings and retirement income than men.

Unemployment and underemployment as a percentage of the labour force^a



a) Data are for the fourth quarter of each year. OECD average is the weighted average of all OECD member countries except Chile, Israel, Korea, Mexico and Switzerland.

Source: OECD estimates for European countries based on the European Union Labour Force Survey (EULFS) and national labour force surveys for non-European countries.



OECD Employment Outlook 2012

Environmental taxes are likely to have a modest overall effect on employment and little impact on the demand for skills. New modelling in the OECD's *Employment Outlook* suggests that the main labour market impacts of climate-change mitigation policies will be to alter the sectoral composition of employment. Fossil-fuel industries will experience the steepest employment declines and renewable energy industries the sharpest increases. Nevertheless, the resulting labour market changes will be modest compared with underlying rates of labour reallocation generally observed in OECD countries. The OECD's modelling also suggests that any potentially negative effects of environmental taxes on employment can be offset if the revenue from higher environmental taxes is used to lower tax rates on labour income, rather than to make transfers directly to households.

Like many OECD countries, the labour share – or the share of wages, salaries and benefits in national income – declined in Australia between 1990 and 2007. The latest edition of the *OECD Employment Outlook* shows that Australia's labour share fell by 3.8 percentage points and by 5.1 percentage points if the mining and real estate industries are excluded. Many factors have contributed to the decline, including increased domestic and international competition, higher productivity and capital-deepening. However, a reduction in the bargaining power of workers has also played a role. Australia experienced one of the strongest declines in trade union membership in the OECD over that period, as well as a significant drop in the share of workers whose wages were set by collective agreements or awards. Such trends are likely to have reduced the bargaining power of workers, especially the low-skilled. The decline in the labour share in Australia has also been associated with an increase in wage and income inequality over recent decades.

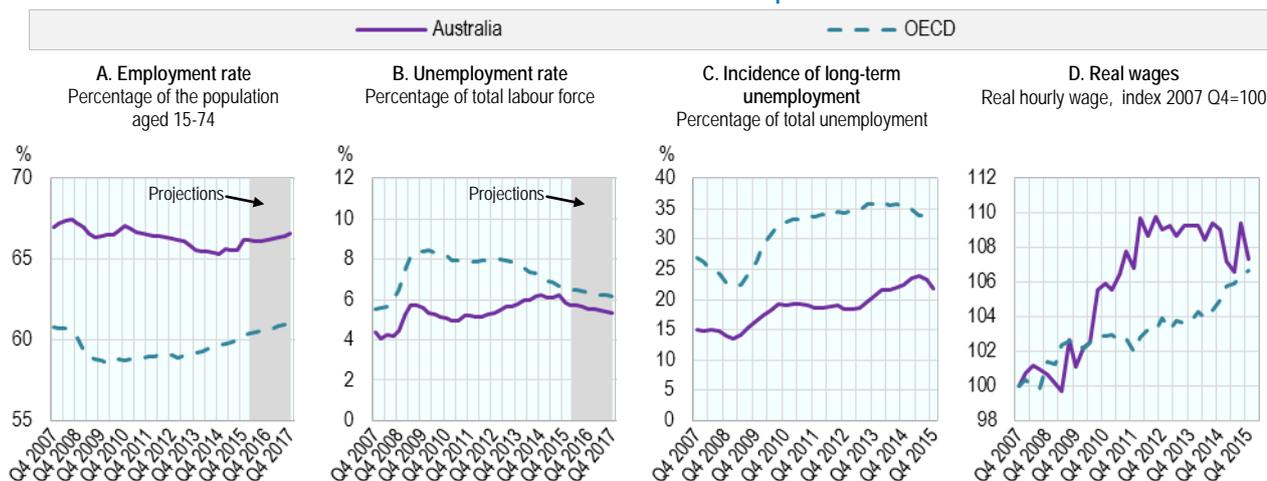
OECD Employment Outlook 2012 is available to journalists on the **password-protected** website or on request from the **Media Relations Division**. For further comment on Australia, journalists are invited to contact Mark Keese (tel: +33 1 45 24 87 94; e-mail: mark.keese@oecd.org) or Danielle Venn (tel: +33 1 45 24 75 01; e-mail: Danielle.venn@oecd.org) from the OECD Employment Analysis and Policy Division. For further information: <http://www.oecd.org/employment/outlook>.



The 2016 edition of the OECD Employment Outlook provides an international assessment of recent labour market trends and short-term prospects, with a focus on vulnerable youth. It also contains chapters on: skills use at work; the short-term effects of structural reforms; and gender labour market gaps in emerging economies.

[DOI: 10.1787/empl_outlook-2016-en](https://doi.org/10.1787/empl_outlook-2016-en)

Labour market developments in Australia



Note: OECD weighted average.

Source: OECD Economic Outlook No 99, June 2016, <http://dx.doi.org/10.1787/9572784d-en>; OECD Employment database (www.oecd.org/employment/database); OECD calculations based on quarterly national accounts.

RECENT LABOUR MARKET TRENDS AND PROSPECTS

OECD labour market conditions continue to improve and the OECD average employment rate is projected to return to its pre-crisis level in 2017, nearly ten years after the global financial crisis erupted. The recovery remains very uneven across both countries and different groups within the workforce. Real wage growth has also been relatively weak since 2007 raising concerns about a prolonged period of wage stagnation.

- Since mid-2015, Australia's labour market has strengthened after being hit by the commodity price bust.
- Employment growth has picked up and further increases are expected over the remainder of this year and through 2017, with total employment approaching its pre-crisis level relative to the population aged 15-74.
- After rising to a peak of 6.2% in mid-2015 on a quarterly basis, unemployment has fallen back to 5.7% in May 2016. A further small decline is

expected through to the end of 2017, leaving the unemployment rate one percentage point above its pre-crisis level.

- The fall in commodity prices put a brake on real wage growth, which may have helped to limit job losses and the rise in unemployment.
- Moreover, the updated Work for the Dole programme and stronger job-search obligations from 2014, and the streamlined 2015-2020 "jobactive" contract for outsourced employment services, reinforced an already-effective labour activation strategy.
- However, long-term unemployment has increased, and unemployment benefits have barely changed in real terms for 20 years.

VULNERABLE YOUTH ARE OF PARTICULAR CONCERN

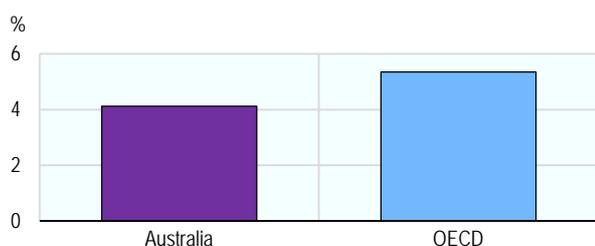
Young people who are neither employed nor in education or training ("NEETs") risk being left permanently behind in the labour market. This risk is especially high for the relatively large share of low-

skilled NEETs (i.e. those who have not finished upper secondary schooling). Many in this group live in households without any employed adults, suggesting that they are also at risk of poverty. Effective policies are needed to reconnect members of this group with the labour market and improve their career prospects.

- In Australia, about 12% of 15-29-year-olds are NEETs compared with the OECD average of 14.6%. About 4% are low-skilled NEETs compared with an OECD average of 5.3%. Canada, Korea and the United States have a higher overall incidence NEETs, but fewer low-skilled. Certain European countries, including Austria, the Netherlands, Sweden and Switzerland, do better on both counts.

Low-skilled NEETs are a particularly vulnerable group

Percentage of youth population aged 15-29, 2015



Note: Low-skilled NEETs are youth neither in employment nor in education or training who have not finished upper secondary schooling.

Source: OECD Employment Outlook 2016, Chapter 1.

SKILLS USE AT WORK

Some countries are better than others at employing workers' skills and this difference has economic consequences. Among equally skilled workers, those making more frequent use of their skills at work earn higher wages and are more satisfied with their jobs. While employers have the primary responsibility to mobilise the competencies of their workers, governments can make use of a variety of policy tools to promote improved skills use.

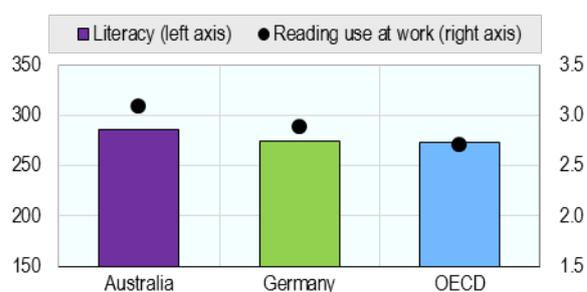
- Australia ranks high among OECD countries for proficiency in literacy and the use of reading skills at work, but only average for numeracy and its uses at work.
- High-Performance Work Practices (HPWP) are associated with greater use of skills at work.

Australia ranks above the OECD average when it comes to the share of all jobs that involve management practices, such as participation in training and flexibility in working hours. It also ranks above average when it comes to the incidence of various work organisation practices – including team work, autonomy, task discretion, mentoring, job rotation as well as applying new learning. However, it lags behind the best performers such as Denmark, Finland, New Zealand and Sweden.

- While there have been some government initiatives in Australia to promote HPWP, it is not clear how effective they have been in achieving a widespread adoption of HPWP.

Skills use can differ from skills proficiency

Working population aged 16-65



Note: Proficiency in literacy is scored on a scale of 0-500 and reading at work is scored on a scale of 1 ("Never") to 5 ("Everyday").

Source: OECD Employment Outlook 2016, Chapter 2.

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